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No. 05-

IN THE

Supreme Court of the United States

CLARE MILNE, BY AND THROUGH
MICHAEL JOSEPH COYNE, HER RECEIVER,
Petitioner,

v.

STEPHEN SLESINGER, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Section 304 of the Copyright Act, 17 U.S.C. § 304, provides (with irrelevant exceptions) that the author of a work or (if the author is deceased) the author's surviving spouse or lineal descendants may on one occasion terminate a previous transfer or license of the copyright, "notwithstanding any agreement to the contrary." In this case, which involves the copyrights in *Winnie-the-Pooh* and other works by A.A. Milne, petitioner, Milne's granddaughter, sought to exercise her rights under Section 304 to terminate a license granted by Milne in 1930. The Ninth Circuit ruled, however, that petitioner's statutory termination rights had been nullified by an agreement between the licensee and a trust that owned Milne's copyrights by bequest, in which the trust agreed with the licensee to "revoke" and "regrant" the 1930 license, for the purpose of preventing members of the Milne family from exercising their statutory termination rights.

The question presented is whether a copyright owner that is not a member of the author's family and a copyright licensee can defeat the statutory termination rights of the author's family by agreeing to "revoke" and "regrant" a license in the work.

PARTIES TO THE PROCEEDINGS

In addition to the parties named in the caption, Disney Enterprises, Inc., is a plaintiff in the district court, and Harriet Jessie Minette Hunt is a third-party defendant in the district court.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Clare Milne, by and through Michael Joseph Coyne, her Receiver appointed by order of the English Court of Protection, respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The decision of the court of appeals (App. 1a-20a) is reported at 430 F.3d 1036. A memorandum order of the court of appeals, denying respondent's motion to take judicial notice of certain alleged facts (App. 35a-37a), is unreported. The decision of the district court granting judgment on the pleadings to respondent and denying summary judgment to petitioner (App. 21a-32a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on December 8, 2005. A timely petition for rehearing was de-

nied on January 18, 2006. App. 33a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

The pertinent provisions of Sections 203 and 304 of Title 17, United States Code, are set forth in the appendix to this petition (App. 47a-58a).

STATEMENT

This case concerns the ownership of the copyrights in *Winnie-the-Pooh*, *The House at Pooh Corner*, *When We Were Very Young*, and *Now We Are Six* (the "Pooh Works"), which currently expire around 2020. This case also concerns Section 304 of the Copyright Act, 17 U.S.C. § 304, which reflects a congressional policy that authors' families should have the right to recapture the value of copyrights in works that prove unexpectedly popular by terminating prior licenses granted in such works. The Ninth Circuit, in contravention of that policy and in conflict with decisions of the Second Circuit, rejected petitioner's effort to terminate a prior license in the Pooh Works granted by her grandfather, and upheld an agreement designed to avoid Section 304 and to ensure that control over the copyrights in the Pooh Works would remain outside the author's family.

The Pooh Works were written by A.A. Milne and were published in the United States between 1924 and 1928. In 1930, Milne granted a license in the Pooh Works to Stephen Slesinger, who in turn granted his rights under the license to respondent Stephen Slesinger Inc. ("SSI"). SSI sublicensed certain rights in the Pooh Works to Walt Disney Productions ("Disney").[1]

When Milne died in 1956, he bequeathed his ownership of the copyrights not to his widow, his then-surviving son,

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[1] Walt Disney Productions was succeeded in its interest in the Pooh Works by Disney Enterprises, Inc., which is a plaintiff in this case. Disney Enterprises, Inc., is a wholly-owned subsidiary of The Walt Disney Company.

Christopher Robin Milne, or his then-unborn granddaughter, petitioner Clare Milne, but to the Milne Trust. The Milne Trust was succeeded in ownership of the copyrights to the Pooh Works by the Pooh Properties Trust ("Trust"). The trustees of the Trust are not members of the Milne family, and the Trust is legally distinct from any member of the Milne family.

In this case, petitioner Clare Milne attempted to exercise a right, granted by Congress in Sections 304(c) and (d) of the Copyright Act, 17 U.S.C. § 304(c)-(d), that allows authors or their surviving lineal descendants to terminate a prior license in a work, and thereby to recapture ownership of the copyright. Section 304 reflects a congressional recognition that authors often grant away rights in their works for small sums when they have relatively little bargaining power. Congress has determined on several occasions that authors and their families should have the right to recapture, after a period of time, the benefits of copyrights in works that prove unexpectedly popular. Clare Milne attempted to obtain the benefit of that congressional policy by notifying SSI, Disney, and the Trust that she was terminating her grandfather's 1930 license to Slesinger and reclaiming ownership of the copyrights in the Pooh Works, as provided under Section 304.

The Ninth Circuit, however, ruled that Clare Milne's effort to reassert ownership over the Pooh Works was ineffective. The Ninth Circuit concluded that Clare Milne had no termination rights to exercise because, in 1983, the Trust, SSI, and Disney—foreseeing that the Milne family might seek to recapture the copyrights in the Pooh Works as Congress allowed, and intending to foreclose that very possibility—entered into an agreement that simultaneously "revoked" Milne's 1930 Grant to Slesinger and "regranted" the same rights to SSI. This 1983 Agreement, the Ninth Circuit concluded, superseded the 1930 Grant and left petitioner with nothing to terminate. As we explain below, the reasoning underlying the Ninth Circuit's decision extends far beyond this case and opens a loophole that will allow licensees

and copyright owners other than authors' family members (*e.g.*, trusts and foundations that have obtained copyrights by bequest, and creditors that have obtained copyrights in bankruptcy proceedings) to nullify family members' statutory termination rights. That decision is also irreconcilable with decisions of the Second Circuit that have rejected devices intended to avoid the effect of the statutory termination right that Congress has granted to author's surviving family members.

A. Congress's Policy Of Allowing Authors And Their Families To Recapture Copyrights

For almost a century, copyright law has included statutory provisions intended to allow authors and their families to recapture, after a period of time, rights that the authors had previously granted away. In the Copyright Act of 1909, § 24, 35 Stat. 1075, 1080-1081, Congress provided that a copyright would last for 28 years but could be renewed by the author or author's family for another 28-year term. The purpose of this renewal provision was to allow authors or authors' surviving families to resume control over rights to copyrighted works and renegotiate more advantageous terms for the renewal period. *See Stewart* v. *Abend*, 495 U.S. 207, 219 (1990).

Publishers often avoided the intended effect of the renewal provision, however, by insisting that authors assign away their rights in the renewal copyright term at the same time that they granted rights in the initial term. In *Fred Fisher Music Co.* v. *M. Witmark & Sons*, 318 U.S. 643 (1943), this Court ruled that such advance assignments by authors of the future renewal term in their works were enforceable if the author survived into the renewal term. As Justice White later observed, the *Fred Fisher* decision "substantially thwarted" Congress's goal of protecting authors through copyright recapture. *See Mills Music, Inc.* v. *Snyder*, 469 U.S. 153, 185 (1985) (White, J., dissenting).

In the Copyright Act of 1976, Congress tried a new tack. The 1976 Act extended the copyrights for all works

that were in their renewal terms as of January 1, 1978, for another 19 years, to a total of 75 years. *See* 17 U.S.C. § 304(b) (1982). Congress also determined that this new benefit should be allocated to authors and their families, rather than to prior grantees. *See* H.R. Rep. No. 94-1476, at 140 (1976). Towards that end, Congress enacted the Copyright Act's termination provision at issue in this case. *See* 17 U.S.C. § 304(c). For works copyrighted before January 1, 1978, Section 304(c) allows an author or (if the author is deceased) the author's surviving family members to terminate any grant or license executed before that date at the end of the 56th year of the copyright, and to recapture the copyright for the 19 years added to the copyright term by Congress. *See* 17 U.S.C. § 304(c)(3).

A closely related termination provision governs works copyrighted after January 1, 1978. *See* 17 U.S.C. § 203. Sections 203 and 304 are structurally parallel but diverge in some particulars. For works copyrighted after January 1, 1978, Congress established the copyright term as the life of the author plus 50 years (later extended for another 20 years). *See* 17 U.S.C. § 302(a) (1982). Congress also allowed the author or the author's surviving family members to terminate any license 35 years after any grant. *See* 17 U.S.C. § 203(a). Thus, for both existing and future copyrights, Congress granted authors and their family members the right to terminate any license after a period of time and recapture the copyright in order to negotiate more advantageous terms.

Congress also acted to avoid a repetition of *Fred Fisher* and ensure that these family termination rights could not be contracted away in advance. To that end, Congress directed that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary[.]" 17 U.S.C. § 304(c)(5) (works copyrighted before January 1, 1978); 17 U.S.C. § 203(a)(1) (same, for authors' grants executed after January 1, 1978). Congress thus made clear that, for both existing and future works, statutory termination rights are inalienable.

In 1998, the Sonny Bono Copyright Term Extension Act ("CTEA") extended copyright terms for pre-1978 works for another 20 years—for a total potential duration of 95 years. *See* 17 U.S.C. § 304(b).[2] Congress again determined that this unforeseen benefit should be given to authors and their families, rather than grantees. Congress therefore extended the termination right it had enacted in the 1976 Act. *See* 17 U.S.C. § 304(d). Under Section 304(d), the author or the author's surviving family members may terminate any prior grant and thus recapture the copyright for the additional years of the extended term, as long as there had been no prior termination. Again, Congress made this termination right inalienable by providing that the right may be exercised "notwithstanding any agreement to the contrary." *See* 17 U.S.C. § 304(c)(5), (d).[3]

Congress has thus granted to the surviving families of authors of copyrighted works the right to terminate existing grants or licenses in the author's works, and thus to recapture the author's initial rights. This termination right may not be alienated in advance of its exercise.

B. SSI's Effort To Prevent The Milnes From Exercising Their Right To Recapture The Copyrights In The Pooh Works

If the Copyright Act of 1976 had not extended existing copyright terms, the copyrights in the Pooh Works would have expired between 1980 and 1984. When the current Copyright Act took effect in 1978, an additional 19 years

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[2] In effect, this means that works that were in their renewal term just before January 1, 1978—including works that were copyrighted as long ago as 1923—will remain in copyright until at least 2018. Works that were in copyright before January 1, 1978, now have a copyright term of 95 years. *See* 17 U.S.C. § 304(a)((2)(B). And copyrights for works that were copyrighted after January 1, 1978, now last for the life of the author plus 70 years. *See* 17 U.S.C. § 302(a).

[3] Section 304(d) essentially extends the provisions of Section 304(c) governing terminations of pre-1978 copyrights to those terminations that take place under the CTEA.

were added to the copyright terms of the Pooh Works, extending those terms until around 2000. But the Copyright Act of 1976 also gave A.A. Milne's descendants the power to terminate respondent SSI's rights in the Pooh Works, which derived from Milne's grant of a license to Slesinger in 1930.

To forestall that possibility, SSI found an ally in a third party with no familial relationship to A.A. Milne: the Trust, which had obtained ownership in the copyrights to the Pooh Works by bequest from Milne (*see* pp. 2-3, *supra*). On April 1, 1983, SSI, Disney, and the Trust executed an agreement, the purpose of which was to prevent the Milne family from exercising the statutory termination right granted by Congress. Under that agreement, the Trust purported to "revoke" all rights granted in 1930 and to regrant the identical rights to SSI. C.A. E.R. 210; App. 60a, 61a.[4] The 1983 Agreement itself candidly discloses the parties' purpose behind this shuffle:

> [T]he parties are agreeable to the revocation of and the parties are desirous of revoking the said prior agreements and [SSI] and Disney are desirous of entering into a new agreement for the future which the parties believe would not be subject to any right of termination under 17 U.S.C. Secs. 203 or 304(c).

C.A. E.R. 209; App. 60a.

The 1983 Agreement did not purport to be a statutory "termination" of A.A. Milne's 1930 Grant of rights in the Pooh Works to Slesinger. Indeed, although the Trust owned, by bequest, A.A. Milne's copyrights in the Pooh Works, the Trust had no right under the statute to terminate the 1930 Grant, for that right is reserved by statute to

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[4] The 1983 Agreement is reprinted in the appendix to this petition. App. 59a-71a.

the author or author's lineal descendants, if any survive. *See* 17 U.S.C. § 304(c)(2).[5]

The parties to the 1983 Agreement attempted to solidify their preclusion of the Milne family's termination rights by having Christopher Milne, who did have such a right, sign the agreement. Christopher Milne made clear on the face of the 1983 Agreement that he was *not* exercising the new right that Congress had conferred upon him, and that he did not wish to do so:

> [Christopher] Milne may have a potential right under Section 304(c) of the 1976 Copyright Act (Title 17, United States Code) to terminate both the 1930 Agreement and the 1961 [SSI-Disney] Agreement referred to above, but if and to the extent that he may have such a potential right he has resolved by agreement with the Trustees not to exercise such right.

C.A. E.R. 209; App. 59a-60a. Clare Milne never signed the 1983 Agreement.

C. Clare Milne's Attempt To Terminate The 1930 Grant

Christopher Milne died in 1996. Under the CTEA, which further extended copyright protection for the Pooh Works until around 2020, petitioner Clare Milne obtained the right to terminate any license that had been granted in the Pooh Works before January 1, 1978. *See* 17 U.S.C. § 304(d).

On November 4, 2002, Clare Milne served notice on SSI and Disney that she was terminating the 1930 Grant. The termination was noticed to take effect on November 5, 2004. That 2002 notice was the first statutory termination notice ever served as to the Pooh Works. SSI disputed the validity

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[5] If the author is deceased and has no surviving spouse, children, or grandchildren, then the termination right may be exercised by the author's executor, personal representative, or trustee. *See* 17 U.S.C. § 304(c)(2)(D).

of Clare's termination notice, contending that the 1983 Agreement had entirely superseded the 1930 Grant, and so there was no pre-1978 license in the Pooh Works for Clare Milne to terminate.

Clare Milne then filed this action to seek a declaration that her termination notice was valid, and that the rights granted to SSI would accordingly be terminated. The district court granted SSI's motion for judgment on the pleadings, ruling that Clare Milne's termination notice was ineffective. Observing that Clare Milne's particular statutory termination right applies only to grants made before January 1, 1978,[6] the district court treated the case as though Clare Milne were seeking to terminate the 1983 Agreement, not the 1930 Grant. The court therefore framed the question before it as whether the 1983 Agreement should "be treated as a pre-1978 agreement." App. 27a-28a. The court noted that "[t]he language of the 1983 SSI Agreement expressly states that the parties 'revoke' the 1930 Grant," and characterized the 1983 Agreement "as a new, post-1977 agreement" to which the statutory termination right did not apply. App. 28a.

The court acknowledged that "the 1983 Agreement was created in order to protect SSI and Disney from a termination of the rights granted to them." App. 28a. Nonetheless, the court read the legislative history of the 1976 Act to provide that "[n]othing in the Copyright Acts has altered the power of private parties to contract," even though the 1976 Act had expressly made termination rights inalienable by declaring them valid "notwithstanding any agreement to the contrary." The court concluded that "[t]he 1983 Agreement was a new contract, effective after January 1, 1978. Accordingly, the Milne termination notice is invalid." App. 31a; *see*

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[6] As noted above (p. 5), parallel inalienable termination rights apply under Section 203 to grants executed after January 1, 1978, but such grants are subject to termination only if made by the author. A.A. Milne died before 1978, and so the 1983 Agreement was designed to be immune from all types of termination then extant.

also App. 30a ("Section 304 does not apply, because this is a post-1978 agreement[.]").

D. The Ninth Circuit's Rejection Of Clare Milne's Statutory Termination Right

The court of appeals affirmed. App. 1a-20a. Centrally, the court of appeals concluded that the Trust—which did not have a statutory right of termination under the 1976 Act—had nonetheless effectively terminated the 1930 Grant by entering into the 1983 Agreement, and thus had cut off Clare Milne's statutory right of termination:

> Although Clare's termination notice purports to terminate the 1930 grant under the CTEA (section 304(d)), that statute provides a termination right only to those transfers or licenses "executed *before* January 1, 1978[.]" ...The only pre-1978 grant of rights to SSI, and the only grant to SSI specified in the termination notice, was the 1930 grant made by the author to Slesinger. *The 1930 grant, however, was terminated by the beneficiaries of the Pooh Properties Trust upon execution of the 1983 agreement.* Accordingly, there was no pre-1978 grant of rights to SSI in existence when Congress enacted the CTEA in 1998.

App. 10a (second emphasis added).

The court rejected Clare Milne's argument that the 1983 Agreement should be disregarded in light of Congress's express directive, in Section 304(c)(5), that a statutory termination must be given effect "notwithstanding any agreement to the contrary." The court stated that, although the Copyright Act does ~~not define~~ "agreement to the contrary," the 1983 Agreement does not resemble either of the examples that the statute gives of "agreement[s] to the contrary"—namely, "an agreement to make a will" and "an agreement 'to make any future grant.'" App. 11a.

The court further rejected the argument that the 1983 Agreement contravened Congress's intent that the termination right should be inalienable. App. 11a-12a. Indeed, the

court declined to accept the proposition that Congress intended termination rights to be inalienable. For example, although this Court in *Stewart* v. *Abend* (and other cases) clearly described termination rights as "inalienable," the court of appeals discounted the significance of this Court's characterization on the ground that this comment was made during a "relatively brief portrayal of the evolution of copyright law." App. 11a. The court also read the legislative history of the 1976 Act to indicate that Congress did not intend to "prevent the parties to a transfer or a license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one." App. 15a (quoting H.R. Rep. No. 94-1476, at 127 (1976)). The court therefore concluded that Congress "anticipated that parties may contract, as an alternative to statutory termination, to revoke a prior grant by replacing it with a new one." *Id.*

In concluding that the 1983 Agreement was a valid "alternative to statutory termination," the court stressed that the 1983 Agreement "was freely and intelligently entered into by the parties"—even though Clare Milne was not a party to that Agreement. App. 13a. The court also found its conclusion that the 1983 Agreement was valid "reinforc[ed]" by the fact that Christopher Milne signed the 1983 Agreement—even though Christopher did not exercise his right to terminate the 1930 Grant in that Agreement and had no power to waive Clare's statutory termination rights. App. 13a-14a. The court suggested that, "[a]lthough Christopher presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal for the Pooh Properties Trust." App. 14a.

The court found inapposite the Second Circuit's decision in *Marvel Characters, Inc.* v. *Simon*, 310 F.3d 280 (2d Cir. 2002), which ruled that an agreement characterizing a copyrighted work as a "work for hire" (to which termination rights do not apply) could not be applied to foreclose the author's statutory termination right, absent an antecedent judicial determination that the work was in fact a work for hire. The 1983 Agreement, the court stated, did not involve

an "after-the-fact attempt to recharacterize the work or a prior agreement," but rather "contractual provisions that operated prospectively through the revocation of an existing grant and the making of a new one." App. 12a.

Finally, the court rejected the argument that Section 304 was intended to give authors or their surviving families a "moment of freedom" after termination of a pre-existing grant, in which they might evaluate possible options to maximize their returns from the recaptured copyright. Although Section 304(c)(6)(D) specifically provides that a post-termination grant of right in a copyright is valid only if that grant is made "after the effective date of the termination," the court concluded that this provision operates for the benefits of grantees, not copyright owners. App. 18a-19a. And the court further suggested—without citing to any record evidence—that, even if Congress had intended such a "moment of freedom" to exist between a termination and a further grant, the 1983 Agreement had satisfied that purpose, because Christopher Milne "parlayed [his termination] right into a new agreement giving increased compensation to the Pooh Properties Trust, of which Clare is a prime beneficiary. In doing so, he fulfilled the very purposes for which Congress enacted the termination right." App. 19a.[7]

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[7] The court of appeals stated at several points in its opinion that the 1983 Agreement yielded increased royalties for the benefit of Clare Milne. App. 6a-7a, 14a, 17a, 19a. The record in fact contains no evidence establishing that Clare Milne has personally benefited from increased royalties received by the Trust or that Clare Milne is a beneficiary of the Trust. Moreover, the court of appeals denied respondent's motion to take judicial notice of purported facts concerning Clare Milne's interest in the Trust. App. 35a-37a. Even under the (rejected) figures submitted by respondent, however, Clare Milne was entitled to, at most, one-eighth of the royalties paid to the Trust; the change effectuated in 1983 increased the Trust's overall share of the royalties from the Pooh Works from 2.5% to 5%. Thus, the 1983 Agreement would have entitled Clare Milne to, at most, one-eighth of the additional 2.5% royalties from the Pooh Works.

REASONS FOR GRANTING THE PETITION

The decision of the Ninth Circuit—holding that a licensee can negotiate an agreement with a third party that nullifies the statutory termination rights of an author's surviving family members—warrants this Court's review. That decision is incorrect; it conflicts with decisions of the Second Circuit; and, unless overturned, it could cripple Congress's policy that authors and their surviving family members should have an inalienable one-time right to terminate prior grants and recapture the author's initial rights. The court of appeals' decision threatens to resuscitate the repudiated regime of *Fred Fisher*. Indeed, the Ninth Circuit's ruling may be significantly worse than *Fred Fisher*, because it impairs the recapture rights of authors' family members, not just authors themselves. Especially given the prominence of the Ninth Circuit in developing federal copyright law, review by this Court is warranted.

A. The Decision Below Is Inconsistent With Congress's Policy Of Preserving Termination Rights For Authors And Their Surviving Families

1. The termination right at stake in this case must be understood in light of Congress's intent to reject *Fred Fisher* and to secure an inalienable right, to authors and to their surviving families, to recapture copyrights that might have been licensed or assigned away at an earlier time. From the perspective of freedom of contract—the perspective from which the court of appeals viewed this case—the Copyright Act's termination right may appear unusual, but it reflects a policy that has been embedded in copyright law for a century. "When an author produces a work which later commands a higher price in the market than the original bargain provided, the copyright statute is designed to provide the author the power to negotiate for the realized value of the work." *Stewart* v. *Abend*, 495 U.S. at 229. Moreover, Congress determined that this right to recapture copyrights in works that prove more valuable than previously foreseen should accrue to the benefit of authors' families as well as authors, notwithstanding the earlier decision of an author

that the benefits from a copyright should flow elsewhere. "The evident purpose [of this congressional policy] is to provide for the family of the author after his death.... [This policy] takes the form of a compulsory bequest of the copyright to the designated persons." *Id.* at 218 (citation omitted).

This Court has accordingly recognized that the termination right granted by the Copyright Act is an inalienable right vested in authors and their families—an inalienable one-time right to terminate copyright licenses and assignments and thus recapture the value in the copyright of an author's works. In *Mills Music, Inc.* v. *Snyder*, 469 U.S. 153 (1985), the Court explained that Section 304(c) "gave the widow and son of [the author] a right to terminate the grant to [the publisher] of rights in the renewal copyright." *Id.* at 162. In *Stewart* v. *Abend*, the Court explained that the 1976 Copyright Act "provides a single, fixed term, but provides an inalienable termination right." 495 U.S at 230. And in *New York Times Co.* v. *Tasini*, 533 U.S. 483, 496 n.3 (2001), this Court described Section 203(a)(5), the post-1978 provision coordinate to § 304(c)(5) for pre-1978 works (*see* p. 5, *supra*), as creating an "inalienable authorial right to revoke a copyright transfer."[8]

These references to an "inalienable" right recognize that Congress desired to prevent a repeat of *Fred Fisher*, which rendered nugatory authors' statutory right to recapture their renewal copyrights. *See Stewart* v. *Abend*, 495 U.S. at 218 (citing *Fred Fisher*). As subsequent decisions have rec-

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[8] In addition, in *Eldred* v. *Ashcroft*, 537 U.S. 186 (2003), this Court upheld the constitutionality of copyright term extensions under the CTEA in part based on Congress's judgment, reflected in Section 304(d), that "the pre-CTEA term did not adequately secure the right to profit from licensing one's work during one's lifetime and to take pride and comfort in knowing that one's children—and perhaps their children—might also benefit from one's posthumous popularity." *Id.* at 207 n.14 (internal quotations omitted). This Court concluded that "Congress could rationally seek to 'promote ... Progress' by including in every copyright statute an express guarantee that authors would receive the benefit of any later legislative extension of the copyright term." *Id.* at 215.

ognized, "unlike the renewal rights, ... [n]either the author nor the statutory heirs may contract away their termination right, and any contract provision that purports to assign that right is void." *Music Sales Corp.* v. *Morris*, 73 F. Supp. 2d 364, 372 (S.D.N.Y. 1999) (citing *Stewart* v. *Abend*).[9]

2. The court of appeals improperly rejected this well-settled understanding of statutory termination rights as inalienable. The court of appeals dismissed as insignificant this Court's reference to termination rights as "inalienable" in *Stewart* v. *Abend*, 495 U.S. at 218. And the court of appeals rejected what it called Clare Milne's effort "to undo the 1983 agreement" on the ground that the 1983 Agreement was "freely and intelligently entered into by the parties." App. 13a. Moreover, the court of appeals gave effect to the 1983 Agreement even though Clare Milne was *not* a party to that agreement, and even though the entire purpose of the termination mechanism in Section 304 is to elevate the termination rights of the author's surviving family members over any assignment of rights that might have been made at an earlier date—including prior assignments that were made "freely and intelligently."

Indeed, the Ninth Circuit's decision is doubly wrong. By ruling that Clare Milne's termination right had been nullified in advance by the Trust's 1983 "revocation" and "regrant" of the rights to the Pooh Works granted by A.A. Milne in the 1930 Grant, the Ninth Circuit allows alienation of an author's family's termination right, not by an author or author's family member, but by a *third party*—here, a trust that held Milne's copyrights by bequest, but is legally dis-

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[9] *Music Sales Corp.* validated a termination of assignments made by jazz legend Billy Strayhorn. It highlights Congress's desire to overrule *Fred Fisher*: "The House Reports reveal the legislators' view that, under the 1909 Act, 'a great many contingent transfers of future renewal rights have been obtained from statutory heirs. A statutory beneficiary who has signed a disadvantageous grant of this sort should have the opportunity to reclaim the extended term.'" 73 F. Supp. 2d at 372 (internal ellipses omitted).

tinct from Clare Milne and has no trustees from the Milne family. The court of appeals' validation of the Trust's express efforts to eliminate any termination rights belonging to the author's family has the result of vitiating the congressional scheme underlying termination of transfers, replicating the most invidious aspects of *Fred Fisher*.

In conflict with the congressional policy underlying Section 304(d)—that the benefit of the 20 additional years of copyright protection granted by the CTEA should flow to authors and their families—the Ninth Circuit has allocated that benefit instead to A.A. Milne's 1930 grantee, SSI. Under the Ninth Circuit's ruling, even though SSI has already enjoyed enormous benefits from the copyrights in the Pooh Works for 75 years—much longer than the 56-year maximum possible term foreseeable in 1930, when A.A. Milne granted rights to Slesinger—SSI is still privileged to continue to receive the revenues relating to the Pooh Works during the additional 20-year extended term added by the CTEA. And SSI has secured that benefit to itself merely because SSI found an ally, the Trust, that was willing to participate in a nullification of the statutory rights that properly belong to Milne's family in exchange for an apparently modest increase in royalties to the Trust payable by Disney (*see* n.7, *supra*).

3. The court of appeals also concluded that Clare Milne had no termination rights in the Pooh Works to exercise. The court of appeals noted that, under Section 304, Clare Milne's termination rights could apply only to a grant or license executed before January 1, 1978, and it reasoned that the 1930 Grant—the grant that Clare sought to terminate—had already been "terminated" when, in 1983, the Trust "revoked" that grant and "regranted" the rights in it to SSI. App. 10a. That reasoning is severely flawed and would quickly make a nullity of family members' termination rights. Under the court of appeals' decision, the owner of a copyright by bequest and the licensee of the copyright can preclude the family's exercise of any termination rights by

agreeing to a minimal revision of the original license for consideration of a peppercorn.

The Ninth Circuit's reasoning fails to give effect to Congress's directive that family termination rights must prevail over any "agreement to the contrary." 17 U.S.C. § 304(c)(5); *see also* 17 U.S.C. § 203(a)(5).[10] The court of appeals put forward two reasons why the 1983 Agreement was not an "agreement to the contrary" that may not be given effect. First, the court suggested that the 1983 Agreement did not resemble either of the two kinds of agreements specified in the statute as examples of a forbidden "agreement to the contrary": an agreement to make a will, and an agreement to make any future grant. App. 11a. Second, the court stressed that the parties who executed the 1983 Agreement expressly indicated their intent that the Agreement would *not* be subject to termination rights. App. 12a-14a. Neither reason withstands scrutiny.

First, Section 304(c)(5) gives no indication that the category of prohibited "agreements to the contrary" is limited to the specific examples given therein (or even to close analogues of such examples). To the contrary, Congress expressly barred the operation of "*any* agreement to the contrary" to defeat statutory termination rights, "*including*" the specified examples. The text of the Copyright Act's definitional section makes clear that "[t]he terms 'including' and 'such as' [as used in the Copyright Act] are illustrative and not limitative." 17 U.S.C. § 101. Congress sensibly made reference to particular types of agreements, such as agreements to make a will, because of the concern that courts might defer to these unusually specific indications of authors' intentions to bypass their families in assigning their copyrights. Indeed, if Section 304(c)(5) were properly read as the court of appeals construed it, then a straightforward

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[10] Section 304(c)(5) states: "Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant." Section 203(a)(5), which governs works copyrighted after January 1, 1978, is identically worded.

agreement not to exercise the statutory termination right in the future would be valid—but that would be an entirely nonsensical result in light of Congress's policy to *preclude* such advance alienations of statutory termination rights.

Second, and more fundamentally, it cannot matter that the parties to the 1983 Agreement made clear that the very purpose of the Agreement was to ensure that no member of the Milne family could thereafter exercise the family's termination rights. If an expression of such intent were sufficient to avoid the Copyright Act's termination provisions, then those provisions would be of scant use, for they could be routinely overridden by parties' declarations that their purpose is to avoid that provision. That result cannot be consistent with Congress's intent that the termination right be inalienable, no matter how freely or intelligently parties might enter into an agreement to waive that right.

The court of appeals noted that Christopher Milne also executed the 1983 Agreement, which the court believed allowed the Trust "to obtain considerably more money" for the benefit of the Milne family. App. 13a-14a.[11] The court found its conclusion that the 1983 Agreement was valid "reinforc[ed]" by Christopher's signature on that document. *Id.* Whatever might have been Christopher Milne's motivation for signing the 1983 Agreement, however, his participation gave it no additional legal force. The Trust—not Christopher Milne—owned the copyrights in the Pooh Works by bequest, and so only the Trust could "regrant" the rights in those works to SSI. And whereas Christopher Milne—not the Trust—possessed a statutory right to terminate the 1930 Grant, Christopher made clear in the 1983 Agreement that he was *not* exercising his statutory termination rights and did not intend to do so. App. 59a-60a.[12] The Ninth Circuit

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[11] As noted above (p. 12, n.7), the record does not contain evidence that the Milne family received additional benefits as a result of the 1983 Agreement.

[12] The 1983 Agreement could not have been a valid termination by Christopher, for it failed to meet several statutory requirements, includ-

treated Christopher's participation in the 1983 Agreement as a "valid alternative" to the exercise of his statutory termination rights—in effect, an advance waiver of those rights (App. 15a)—but, as just explained, a fundamental aspect of the Copyright Act's termination provisions is that the rights granted by those provisions *cannot* be alienated in advance. Thus, contrary to the Ninth Circuit's misapprehension (App. 15a, 19a-20a), Christopher's participation in the 1983 Agreement was not the near-equivalent of a valid termination.

B. The Decision Below Conflicts With Decisions Of The Second Circuit

The Ninth Circuit's decision is not only at odds with the text, structure, and policy of the Copyright Act's termination provisions; it also conflicts with two decisions of the Second Circuit recognizing that family termination rights cannot be nullified either by acts of copyright owners who have obtained the copyright by bequest or through private agreements intended to avoid the effect of the statutory termination provision. Given the importance of the Second and Ninth Circuits in articulating federal copyright law, review by this Court of the issues presented in this petition is particularly warranted.

1. By subordinating Clare Milne's statutory termination rights to the interests of SSI and the Trust, the Ninth Circuit's decision conflicts with the decision of the Second Circuit in *Larry Spier, Inc.* v. *Bourne Co.*, 953 F.2d 774, 776 (2d Cir. 1992). The *Spier* decision makes clear that Congress's vesting of statutory termination rights in specified surviving family members of authors is inalienable, and can-

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ing the requirements that the termination be served on the licensee and recorded in the Copyright Office. *See* 17 U.S.C. § 304(c)(4). Nor could the 1983 Agreement have been a valid post-termination grant of rights by Christopher, for the statute makes clear that any post-termination grant of rights may be made only *after* a termination takes effect—ensuring that there is a point at which the surviving family member's rights in the work are unencumbered by any grant to any third party. *See* 17 U.S.C. § 304(c)(6)(D).

not be defeated by the author's decision to bequeath or assign rights in the copyright to other persons or entities.

The *Spier* case, like this one, involved a conflict between statutory heirs possessing the termination right under Section 304 and others who had been granted rights in the copyright by an assignment and by bequest. In that case, Dave Dreyer, the author of Tin Pan Alley classics including *Me and My Shadow*, had assigned his copyrights in those songs (including rights in the renewal terms) to a publisher, and had also bequeathed ownership of his copyrights and all rights to receive royalties therefrom to a testamentary trust, the beneficiaries of which included his long-time mistress as well as his widow and children. The surviving members of the Dreyer family sought to recapture the family's ownership of the copyrights by serving a termination notice on the publisher, a move that would have excluded Dreyer's mistress from future royalties. The Dreyer family was met by the objection that the songwriter had expressed his intent about the future ownership of those copyrights by bequeathing them to the testamentary trust.

The Second Circuit concluded that the songwriter's widow and children nonetheless possessed the right to terminate the previous grant, even though exercising the right would eliminate the rights bequeathed to the mistress:

> [I]t is evident from the plain language of Section 304(c) that the purpose of the statute is to protect the property rights of *widows and children* in copyrights.... If the author's intent were the paramount concern of the statute, then no termination of any kind would be allowed, because most authors presumably "intend" to make the assignment that is the very object of Section 304(c)'s termination provisions.

953 F.2d at 778 (emphasis added).[13]

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[13] Other decisions in the Second Circuit have been similarly faithful to Congress's policy of ensuring that an author's surviving family mem-

The Trust in this case is similarly situated to the testamentary trust and the mistress in *Spier*. The Trust was bequeathed copyright ownership of the Pooh Works, encumbered by a prior license that A.A. Milne granted to SSI. The Trust does not, however, fall within the class of individuals to whom Congress gave the termination right. In conflict with *Spier*, the Ninth Circuit allowed an encumbered copyright owner to circumvent the family's statutory termination right by agreeing to revoke and regrant the very rights that were supposed to be subject to termination under federal law.

Indeed, to see how the decisions are utterly inconsistent, and to understand how the Ninth Circuit's ruling could unravel the termination right of Section 304, one need only envisage a simple variant of the *Spier* decision, under which the testamentary trust to which Dreyer bequeathed his copyrights agreed to "revoke" Dreyer's assignment of his copyrights to his publisher and to "regrant" the same rights again to the publisher Under the Ninth Circuit's reasoning, as long as that agreement was executed after January 1, 1978, it would be effective to nullify the statutory termination rights of the songwriter's family. The Second Circuit could not have intended its decision in *Spier* to be so easily evaded.

2. The Ninth Circuit's conclusion that the 1983 Agreement is not an ineffective "agreement to the contrary" under Section 304(c)(5) conflicts with the Second Circuit's decision in *Marvel Characters, Inc.* v. *Simon*, 310 F.3d 280 (2d Cir. 2002). In *Marvel*, the author of *Captain America* sought to terminate a 1941 transfer of interest that he had made to the publisher of the comic strip. In a 1969 settle-

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bers, as specified in the statute, would have the right to recapture copyrights, even in the face of expressed intent by the author to bequeath the copyrights elsewhere. *See Saroyan* v. *William Saroyan Found.* 675 F. Supp. 843 (S.D.N.Y. 1987), *aff'd mem.*, 862 F.2d 304 (2d Cir. 1988) (child of famous author successfully contested father's bequest of copyrights to foundation rather than to his children).

ment agreement resolving prior litigation, the parties stipulated that the comic strip was made as a "work for hire," and was therefore outside the creator's right to copyright recapture under pre-1978 law.[14] After Congress extended copyright terms in the 1976 Act, the author sought to recapture his copyright by terminating the 1941 transfer. The publisher asserted in defense that the copyright in *Captain America* was not subject to recapture because the parties had agreed, in the 1969 settlement agreement, that *Captain America* was a work for hire.

The Second Circuit rejected the publisher's argument and invalidated the 1969 agreement as an "agreement to the contrary" that could not defeat the author's statutory termination right. As the Second Circuit explained, "the clear Congressional purpose behind § 304(c) was to prevent authors from waiving their termination right by contract." 310 F.3d at 290. The court further explained:

> Any other construction of § 304(c) would thwart the clear legislative purpose and the intent of the statute. If an agreement between an author and a publisher that a work was created for hire were outside the purview of § 304(c)(5), the termination provision would be rendered a nullity.... In effect, such an interpretation would likely repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author's termination right.

Id. at 290-291.

The Ninth Circuit's decision is irreconcilable with *Marvel*. In *Marvel*, the parties freely and intelligently entered into an agreement characterizing *Captain America* as a work for hire, in part for the purpose of defeating the au-

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[14] Under pre-1978 copyright law, the right to renew the copyright of a work for hire was vested in the "proprietor," *i.e.*, the employer, rather than the creator of the work. *See* Copyright Act of 1909, § 24, 35 Stat. 1081; *Estate of Burne Hogarth* v. *Edgar Rice Burroughs, Inc.*, 342 F.3d 149, 157 (2d Cir. 2003).

thor's recapture right. Nonetheless, the Second Circuit concluded that this device could not survive Congress's direction that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary." 17 U.S.C. § 304(c)(5). In this case, SSI and the Trust entered into the 1983 Agreement for the purpose of defeating the Milne family's recapture rights. But in this case, the Ninth Circuit has concluded that the private agreement *was* effective to defeat the termination rights vested by statute in the author's family. In fact, *Marvel* should apply *a fortiori* here, given that Clare never even joined the 1983 Agreement, unlike the author's own execution of the 1969 settlement agreement in *Marvel*.

Attempting to distinguish *Marvel*, the Ninth Circuit stated that it has

> little relevance to this case because, here, there is no after-the-fact attempt to recharacterize the work or a prior agreement. Instead, the 1983 agreement involves contractual provisions that operated prospectively through the revocation of an existing grant and the making of a new one. As the district court recognized, "[t]he parties in the 1983 agreement did not attempt to change or modify the nature of their association with one another, or alter the character of their longstanding author/grantee relationship."

App. 12a-13a.

That distinction misapprehends the significance of *Marvel*, which does not turn on whether the parties to the settlement agreement engaged in an after-the-fact attempt to recharacterize *Captain America* as a work for hire. Rather, the Second Circuit concluded that the disputed 1969 settlement agreement was an "agreement to the contrary" because any other result would render the termination provision a "nullity" by elevating the parties' agreement over the copyright recapture rights vested in the author by statute. *See* 310 F.3d at 290. And in this case, the 1983 "revocation" and "regrant" sought to do exactly what *Marvel* forbids—to

eliminate the statutory right to recapture a copyright by private agreement. *See* C.A. E.R. 209; App. 60a ("the parties are desirous of revoking the said prior agreements and Slesinger and Disney are desirous of entering into a new agreement for the future *which the parties believe would not be subject to any right of termination under 17 U.S.C. Secs. 203 or 304(c)*." (emphasis added)). Because the decision below and the Second Circuit have taken diametrically opposed positions on such agreements, this Court's review is warranted.

C. The Decision Below Warrants Review Because Of Its Broadly Negative Implications For The Congressional Policy Of Termination Rights

The decision below has broad implications for the survival of Congress' policy that authors and their families should have a one-time right to terminate prior grants. Congress was well aware that authors and their family members might surrender to early financial blandishments, and so it conferred on them an inalienable right to terminate earlier grants once the statutory window opened to effectuate that termination. If the Ninth Circuit's decision is not overturned, Congress's policy judgment will be seriously undermined.

The Ninth Circuit's decision not only threatens to revive *Fred Fisher*, which Congress was determined to repudiate; it is in important respects even worse than that discredited decision. Under the 1909 Copyright Act, as construed in *Fred Fisher*, authors could be induced to contract away their own renewal rights, but an author could not contract away the statutory right of his or her surviving family members to renewal of the author's copyrights, if the author died before the renewal period. *See Stewart* v. *Abend*, 495 U.S. at 219-221; *Miller Music Corp.* v. *Charles N. Daniels, Inc.*, 362 U.S. 373, 375 (1960). Under the court of appeals' decision, however, the statutory termination rights of the author's surviving family *can* be contracted away—and not just by the author, but also by a third party (here, the Trust) that obtained the author's copyrights by bequest and may

not have the best interests of the author's surviving family members at heart. It would appear that all that is required for the termination rights of the author's surviving family members to be nullified is the agreement of two willing parties other than the author's family members who have some rights under the copyright—here, SSI and the Trust—to "revoke" and "regrant" the initial assignment.

The effect of the Ninth Circuit's ruling is not limited to older copyrighted works such as those at issue in this case. To the contrary, the decision below has broad significance for all existing and future copyrighted works, with few exceptions.[15] For works governed by Section 304(c)—*i.e.*, works in copyright before January 1, 1978—the CTEA's extension of copyright terms for such works to 95 years ensures that termination rights will remain important until late in this century.[16] Moreover, the court of appeals' reasoning appears equally applicable to works copyrighted after January 1, 1978, which are governed by related provisions in Section 203. In Section 203, Congress gave authors (and, after an author's death, the author's surviving family members) the right to terminate an author's grant 35 years after execution of that grant. *See* 17 U.S.C. § 203(a)(1)-(3). Section 203 also makes clear that this termination right is to be given effect "notwithstanding any agreement to the contrary[.]" 17 U.S.C. § 203(a)(5). But in light of the court of appeals' treatment of the identical "notwithstanding" clause in Section 304(c)(5), the termination right of Section 203(a) could be nullified by an agreement between the owner of the copyright (other than the author's

[15] As noted above (p. 22, n.14, *supra*), the creator of a work for hire does not have termination rights under Section 203 or Section 304.

[16] For example, consider the case of an author whose novel was published in 1975, who assigned his copyright to his publisher for typical 15% royalties, and who died in 1990, bequeathing royalties to a foundation rather than his impecunious daughter and grandson. Under those circumstances, the publisher and the foundation could defeat the family's termination right today by engaging in the same device blessed by the Ninth Circuit in this case, leaving the publisher and the foundation in control of the copyrights until 2070.

copyright (other than the author's surviving family members) and a licensee to "revoke" and "regrant" a license, just as was done in this case. Thus, the technique blessed by the court of appeals will readily allow non-family owners and assignees of copyrights to defeat the interests of family members—precisely the result that Congress intended to avoid.

Seeking to minimize the effect of its decision for Congress's policy of protecting surviving authors and their family members from ill-conceived alienations of copyrights, the Ninth Circuit stated that petitioner's "imagined parade of horribles" as the likely consequence of the rule adopted by the Ninth Circuit in this case "will never march forward." App. 17a. In fact, the effect of the decision below has already been seen in other litigation in the Ninth Circuit. A district court has already relied on the court of appeals' decision to declare invalid a termination notice for *Lassie Come Home* served by the daughter of author Eric Knight. *See Classic Media, Inc.* v. *Mewborn*, CV 05-452 (C.D. Cal. Feb. 10, 2006) (App. 44a) (citing decision below for the proposition that, "[w]hile this termination interest is inalienable pursuant to the language of the statute, such an interest may be waived or relinquished"). The district court stressed that Knight's daughter was paid $3,000 in 1978—a negligible sum in light of the value of the copyright to *Lassie*—to contract away her statutory termination rights decades before those rights could have been exercised. App. 45a.[17]

The decision below also undermines Congress's elaborately wrought framework for the exercise of the termina-

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[17] The novel *Lassie Come Home* was published in 1940; Knight's heirs renewed the copyright in the 1960s. App. 40a. Under the 1909 Act, therefore, the renewal term would have expired around 1996. The 1976 Act extended the renewal term to 2015, and the CTEA extended it to 2035. Under the 1976 Act, termination of the *Lassie* copyright could not take effect until 1996—56 years after the effective date of the initial copyright. *See* 17 U.S.C. § 304(c)(3). Nonetheless, the district court ruled that the 1978 agreement was effective to eliminate a right that would not ripen until 1996.

tion right. To effectuate that right, a terminating party must serve on the grantee a notice of termination two to ten years in advance. *See* 17 U.S.C. § 304(c)(4)(A), § 304(d)(1).[18] The statute also disables the terminating party from making a further grant of the terminated rights until *after* such service has taken place. *See* 17 U.S.C. § 304(c)(6)(D), § 304(d)(1). That finely regulated time sequence ensures the goal that the family members of authors will not find themselves prematurely deprived of their termination rights.

In derogation of those safeguards, the Ninth Circuit ruled that Clare Milne's supposed receipt of benefits in 1983 (under an agreement she never executed) deprived her of the possibility of terminating the prior grant in 2002. Although it would have been manifestly impossible for Clare Milne to serve such an advance notice in 1983 as to her termination right under the CTEA, the ruling in this case holds that by the time Congress conferred rights on her in 1998, she had already lost those rights as a penalty for having received a bit of money earlier.

The vice of validating that procedure is exactly as the Second Circuit warned in *Marvel*, 310 F.3d at 291:

> In effect, such an interpretation would likely repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author's termination right. We conclude that Congress included the "notwithstanding any agreement to the contrary" language in the termination provision precisely to avoid such a result.

That consequence—the resuscitation of the discredited *Fred Fisher* regime and with it the effective abrogation of surviving family members' termination rights, in the face of Con-

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[18] Clare Milne served her notice on SSI on November 4, 2002, to take effect on November 5, 2004—all during the appropriate windows as to each of the four Pooh Works. C.A. E.R. 121.

gress's determination to make those rights inalienable—warrants review by this Court.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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APRIL 2006

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

CLARE MILNE, BY AND THROUGH
MICHAEL JOSEPH COYNE, HER RECEIVER,
Plaintiff-Appellant,

v.

STEPHEN SLESINGER, INC.,
Defendant-Appellee,

No. 04-57189

Argued and Submitted Sept. 13, 2005
Filed Dec. 8, 2005

[1037] Before: WALLACE, SILVERMAN, and CALLAHAN, Circuit Judges.

CALLAHAN, Circuit Judge:

This copyright action arises from a termination notice sent by the appellant to the appellee, seeking to recapture rights to various characters created by her grandfather, Alan Alexander Milne, who authored the "Winnie-the-Pooh" children's books. Milne originally granted various rights in those works to the appellee in 1930. Then, in 1983, due to a change in copyright law in 1976, Milne's heirs considered terminating the 1930 grant outright, but instead **[1038]** entered into a new agreement that revoked the original grant and re-issued rights in the works to the appellee. The appellant seeks to invalidate the 1983 agreement based on 1998 legislation. The 1998 legislation only authorizes the termination of copyright agreements executed before 1978. Because

the 1983 revocation and re-grant were valid, we affirm the district court's decision.

I

A. Historical & Regulatory Background

As part of the enumerated powers vested in the federal government, the Constitution provides Congress with the power "to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. I, § 8, cl. 8. Pursuant to this authority, Congress enacts copyright legislation.

The first enactment of concern in this case is the 1909 Copyright Act. Act of Mar. 4, 1909, ch. 320, § 23, 35 Stat. 1075 (1909). This enactment responded to authors' complaints that the existing protection term was inadequate because many authors were outliving the protection and thereby being denied the proper fruits of their labor. *See* Arguments on S. 6330 & H.R. 19853, Before the Comms. on Patents, 59th Cong., 1st Sess. 116-21 (1906) (statement by Samuel Clemens (a/k/a Mark Twain) asserting that the term of protection was not long enough). Congress addressed those complaints by extending the renewal period from 14 years to 28 years, making copyright protection possible for a total of 56 years. Act of Mar. 4, 1909, ch. 320, § 23, 35 Stat. 1075 (1909).

Almost seven decades later, Congress enacted the 1976 Copyright Act, which forms the foundation of current copyright law. The two-term structure of a fixed term followed by a renewal term was eliminated. *See* Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (1976) (codified at 17 U.S.C. §§ 101-808). In its place, Congress established a single term for all copyrights created after January 1, 1978; the maximum 56-year term under the 1909 Act was replaced with a term of the author's life plus 50 years. 17 U.S.C. § 302(a). Works published or registered before January 1, 1978 would be protected for a maximum of 75 years from the

date of publication or 100 years from the date of creation, whichever was less. 17 U.S.C. § 303.

On October 27, 1998, President Clinton signed into law the Sonny Bono Copyright Term Extension Act of 1998 ("CTEA"), Pub. L. No. 105-298, 112 Stat. 2827 (1998) (codified at 17 U.S.C. §§ 108, 203, 301-304). As its name suggests, the statute further expanded the term of copyright protection, extending the term of all existing and future copyrights by a period of 20 years. Specifically, Congress broadened the term of copyright protection prospectively to works created after its effective date from the life of the author plus 50 years to the life of the author plus 70 years.[1] 17 U.S.C. §§ 302(a), 304(a)-(b). The statute also enlarged the term of protection retroactively to previously granted copyrights, extending their term to a maximum of 95 years. *Id.*

[1039] One of the purposes of the CTEA was to harmonize our copyright term with that of the European Union because, without the change, U.S. authors would receive 20 fewer years of protection than their European counterparts. *See* 141 Cong. Rec. S3390-92 (daily ed. Mar. 2, 1995) (statement of Sen. Orrin Hatch); *see also* 141 Cong. Rec. E379 (daily ed. Feb. 16, 1995) (statement of Rep. Carlos Moorhead). This threatened to cost the United States vast amounts of revenue and its favorable position in the global intellectual-property market. *See id.* Another reason behind the extension was to provide greater protections for authors and two succeeding generations of their heirs. Sen. Orrin Hatch, *Toward a Principled Approach to Copyright Legislation at the Turn of the Millennium*, 59 U. Pitt. L. Rev. 719, 733-34 (1998). The end result is that works that otherwise would have entered the public domain, such as the

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[1] In the case of a work made for hire—which is "prepared by an employee within the scope of his or her employment or ... specially ordered or commissioned for use as a contribution to a collective work" (17 U.S.C. § 101)—Congress extended the term of protection from 75 to 95 years from the year of the work's first publication, or a term of 120 years from the year of its creation, whichever expires first. 17 U.S.C. § 304(a)-(b).

works at issue in this litigation, were protected for an additional 20 years. Thus, it appears that no copyrighted work will enter the public domain for the next 13 years or so, until January 1, 2019.

B. Factual Background

In the 1920s, Alan Alexander Milne ("the author") created in his classic children's books the characters of the boy Christopher Robin and his stuffed bear, Winnie-the-Pooh, as well as their friends Eeyore, Owl, Piglet, Rabbit, Kanga, Roo, and Tigger. Four of those works are involved in this action: (1) *When We Were Very Young*; (2) *Winnie-the-Pooh*; (3) *Now We Are Six*; and (4) *House at Pooh Corner* (collectively, "Pooh works"). U.S. copyrights in the Pooh works were registered between 1924 and 1928, and renewed between 1952 and 1956.[2]

Entranced by the then-newly published *House at Pooh Corner*, a New Yorker by the name of Stephen Slesinger boarded a boat for England with the hope of persuading the author to let him license the rights to the Pooh works for trade purposes back home. Slesinger was a television-film producer, creator of comic-book characters, and pioneer in the licensing of characters for children.

In 1930, the author entered into an agreement with Slesinger, granting Slesinger exclusive merchandising and other rights based on the Pooh works in the United States and Canada "for and during the respective periods of copyright and of any renewal thereof to be had under the Copyright Act[.]" In return, the author received a share of royalty income earned by Slesinger, ranging from three percent of wholesale sales to 67 percent of Slesinger's receipts, as well as an advanced payment against those royalties. After the agreement's execution, Slesinger created defendant-appellee Stephen Slesinger, Inc. ("SSI"), to which he transferred his rights in the Pooh works.

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[2] The 1909 Copyright Act was in effect when the Pooh works were copyrighted in the 1920s and upon their renewal in the 1950s.

In 1956, the author passed away and was survived by his widow and their son, Christopher Robin Milne. The author's will bequeathed all beneficial interests in the Pooh works to a trust for the benefit of his widow during her lifetime ("Milne Trust"), and, after her death, to other beneficiaries ("Pooh Properties Trust"), which included his son, Christopher, and Christopher's daughter, Clare. Clare is the author's sole grandchild and the plaintiff-appellant in this case.

[1040] In 1961, SSI granted exclusively to Walt Disney Productions ("Disney")[3] the rights it had acquired in the 1930 grant, and Disney agreed to pay certain royalties to SSI. Around the same time, Disney also entered into a similar agreement with the author's widow and the Milne Trust, granting Disney exclusive motion-picture rights, foreign-merchandising rights, and other exclusive rights in the Pooh works in exchange for royalties.

In 1971, the author's widow passed away and, in 1972, her beneficial interests under the Milne Trust were assigned to the Pooh Properties Trust in accordance with the author's will. This meant that the Pooh Properties Trust would receive the author's copyright interest in the Pooh works plus the royalties payable under the 1961 Milne-Disney agreement.

Then came the 1976 Copyright Act and, with it, an extended renewal term of copyright protection. Pub. L. No. 94-553, 90 Stat. 2541, § 304(a) (1976). Most relevant to the Pooh Properties Trust was the provision that gave the author or his heirs an opportunity to benefit from the extended renewal term. *Id.* Specifically, this new statute enabled an author or his heirs to terminate a grant of rights to a copyrighted work made by the author or his heirs to a third party prior to the statute's effective date of January 1, 1978. 17 U.S.C. § 304(c).

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[3] While Disney joined this case as a co-plaintiff in the proceedings below, Disney is not a party to this appeal.

In 1983, faced with the possibility that Christopher might seek to terminate the rights Disney had received in 1961 from SSI, Disney proposed that the parties renegotiate the rights to the Pooh works. Christopher accepted Disney's proposal and, using the bargaining power conferred by his termination right, negotiated and signed on April 1, 1983 a more lucrative deal with SSI and Disney that would benefit the Pooh Properties Trust and its beneficiaries.

The new agreement acknowledged the 1930 grant and the 1961 assignment of rights to Disney, and observed that although ownership of the copyrights had been transferred to the Pooh Properties Trust, there were "disputes [which] had existed[.]" Recognizing that the author's heir, Christopher, may well have a right of termination under the 1976 Copyright Act, the agreement declared that the parties were resolved to "clarify certain aspects of their contractual arrangements and to settle revised agreements." Christopher therefore agreed not to seek termination of the existing arrangements in return for executing the new agreement. The agreement then provided for the revocation of the 1930 and 1961 agreements in favor of the new agreement, followed by the regranting (on the same page) of the rights in the Pooh works to SSI.[4] In exchange for royalties, SSI turned around and granted Disney the radio, television, motion-picture, and merchandising rights to those works.

One result of the 1983 agreement was an increase of the amounts that the Pooh Properties Trust received over the sums that had been payable under the 1961 Milne-Disney agreement. The Pooh Properties Trust now received double SSI's share of the royalties, compared to about half of SSI's share before the 1983 agreement. Thus, the renegotiations between the parties resulted, by some estimates, in a net gain of hundreds of millions **[1041]** of dollars to the Pooh

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[4] The 1983 agreement specifically stated: "The Trustees hereby assign, grant, and set over unto [SSI] all of the rights in and to [the Pooh works] which were transferred to [Slesinger by virtue of the 1930 grant.]"

Properties Trust, which included Clare as a prime beneficiary.

On November 4, 2002, motivated by the recent enactment of the CTEA and its favorable treatment of authors' heirs, Clare set out to recapture the rights to the Pooh works. Toward that end, she served SSI with a notice of termination, which referenced November 5, 2004 as the effective date for termination of the 1930 grant of rights to SSI. The same day that she served the termination notice, Clare entered into an agreement with Disney, assigning the rights expected to revert to her in 2004.[5]

C. Procedural Background

On November 5, 2002, the day after she served the termination notice, Clare joined by Disney, commenced this action in the district court, seeking a declaration that her termination notice was valid and effectively terminated SSI's rights in the Pooh works. Thereafter, SSI filed a motion for judgment on the pleadings or, alternatively, for summary judgment. SSI asserted, inter alia, that Clare's termination notice was invalid because the 1930 grant of rights targeted by the termination notice had already been revoked under the 1983 agreement, and therefore was no longer in existence and not subject to statutory termination under the CTEA. In turn, Clare filed a cross-motion for summary judgment, seeking a declaration that the termination notice was valid and that SSI's rights in the Pooh works would terminate on November 5, 2004.

On May 8, 2003, the district court issued an order granting in part and denying in part SSI's motion, and denying Clare's cross-motion. In essence, the district court declared the termination notice to be invalid by ruling in SSI's favor regarding Clare's declaratory-relief claim.[6]

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[5] Under Clare's reversion agreement with Disney, Disney agreed to fund the instant litigation for her.

[6] Other issues were left pending in the district court. For example, the court had yet to rule on the validity of a copyright termination notice

Clare subsequently moved the district court to enter a final judgment under Federal Rule of Civil Procedure 54(b) because all claims related to her had been resolved. The district court eventually granted Clare's motion, and entered judgment as to Clare on December 6, 2004. She filed a timely appeal from that judgment. *See* Fed. R. App. P. 4(a).

D. The District Court's May 8, 2003 Order

When considering the parties' motions, the district court asked the question that lies at the very heart of the parties' dispute: "Should the 1983 SSI Agreement be treated as a pre-1978 agreement to be governed by the [CTEA's] termination provisions of 17 U.S.C. § 304?" Answering the question in the negative, the district court held that the parties' 1983 agreement itself revoked the grant of rights under the 1930 agreement that Clare's notice sought to terminate, and that the grant made to SSI under the 1983 agreement was not subject to termination under the CTEA. In reaching its ruling, the district court rejected Clare's argument that the 1983 agreement was merely an extension of the 1930 grant. The court further reasoned that the CTEA's termination provisions apply only to grants made prior to 1978. The court also opined **[1042]** that the Copyright Acts did not alter the power of private parties to contract and that the 1983 agreement "was created in order to protect SSI and Disney from a termination of the rights granted to them."

In addition, the district court was not persuaded by Clare's argument that "a grantee may not subvert the statutory rule against obtaining a new grant prior to termination of the original grant ... unless there is at least a moment [of freedom] when the grantor is bound under neither the prior nor the new grant." The court noted that although

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served by the granddaughter of the Pooh works' illustrator. Also before the court was SSI's declaratory-relief counterclaim, asserting that Disney was obligated to pay royalties to SSI. Those further proceedings are not at issue in this appeal.

"§ 304(c)(5) [and] § 203(a)(5) ... provide that termination of a grant may be effected 'notwithstanding any agreement to the contrary,' ... [s]ection 304 does not apply[ ] because this is a post-1978 agreement, and § 203 does not apply[ ] because the grant in question was not made by the author" (quoting 17 U.S.C. §§ 203(a)(5), 304(c)(5)). Thus, the court concluded that the 1983 agreement was a new contract, effective after January 1, 1978, and that Clare's termination notice was invalid.

II

This court reviews de novo an award of judgment on the pleadings. *Turner v. Cook*, 362 F.3d 1219, 1225 (9th Cir. 2004); *Underwood Cotton Co., Inc. v. Hyundai Merch. Marine, Inc.*, 288 F.3d 405, 407 (9th Cir. 2002). "'A judgment on the pleadings is properly granted when, taking all the allegations in the pleadings as true, the moving party is entitled to judgment as a matter of law.'" *Owens v. Kaiser Found. Health Plan, Inc.*, 244 F.3d 708, 713 (9th Cir. 2001) (quoting *Nelson v. City of Irvine*, 143 F.3d 1196, 1200 (9th Cir. 1998)).

A. Right of Termination Under the CTEA

Clare argues that she properly terminated SSI's rights in the Pooh works. We hold that the district court's contrary conclusion is correct.

In a copyright case, as in most cases, the language of the statute provides the starting point for our analysis. *Cmty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 739, 109 S.Ct. 2166, 104 L.Ed.2d 811 (1989); *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 164, 105 S.Ct. 638, 83 L.Ed.2d 556 (1985). The CTEA provides in relevant part:

> In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act [effective October 27, 1998] for which the termination right provided in subsection (c) [of this section] has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the ex-

> clusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, *executed before January 1, 1978*, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination....

17 U.S.C. § 304(d) (emphasis added).

Although Clare's termination notice purports to terminate the 1930 grant under the CTEA (section 304(d)), that statute provides a termination right to only those transfers or licences "executed *before* January 1, 1978[.]" *Id.* (emphasis added). The only pre-1978 grant of rights to SSI, and the only grant to SSI specified in the termination notice, was the 1930 grant made by the author to Slesinger. The 1930 grant, however, was terminated by the beneficiaries of the Pooh Properties Trust upon the execution of the 1983 agreement. Accordingly, there was no pre-1978 grant of rights to SSI in **[1043]** existence when Congress enacted the CTEA in 1998.

The sole grant of rights to SSI, either at the time of the CTEA's enactment or when Clare served her termination notice, was the grant of rights embodied in the 1983 agreement. As the district court correctly explained, however, this grant is not subject to termination under section 304(d) because it was not "executed before January 1, 1978," as the statute expressly requires. 17 U.S.C. § 304(d).

1. "Agreement to the Contrary"

Faced with the reality that she is dealing with a post-1978 agreement, Clare attempts to circumvent the 1983 agreement by claiming that another provision of the CTEA, 17 U.S.C. § 304(c)(5), requires this court to regard the 1983 agreement as an "agreement to the contrary" that does not prevent her from terminating SSI's rights to the Pooh works. Section 304(c)(5) states that a "[t]ermination . . . may be effected notwithstanding any agreement to the contrary, including any agreement to make a will or to make any future grant." 17 U.S.C. § 304(c)(5).

The statute does not define the phrase "agreement to the contrary," although it does provide two examples of agreements that would constitute an "agreement to the contrary": "an agreement to make a will" and an agreement "to make any future grant." *Id.* The undisputed fact that the 1983 agreement does not fall into either category supports the district court's finding that the 1983 agreement is not "an agreement to the contrary." *See Sutton v. Providence St. Joseph Med. Ctr.*, 192 F.3d 826, 834 (9th Cir. 1999) ("When a statute contains ... specific items and a general item, we usually deem the general item to be of the same category or class as the more specifically enumerated items.").

To support her theory that the 1983 agreement falls under the category of "an agreement to the contrary," Clare reads the Supreme Court's decision in *Stewart v. Abend*, 495 U.S. 207, 110 S.Ct. 1750, 109 L.Ed.2d 184 (1990), as holding that Congress intended to make the termination right inalienable for authors and their families. *Stewart*, however, did not interpret the "agreement to the contrary" language of section 304(c)(5) or its counterpart under section 203(a)(5).[7] In fact, the only discussion in *Stewart* pertaining to inalienability is the Court's relatively brief portrayal of the evolution of copyright law, beginning with the Copyright Act of 1790 and ending with the 1976 Copyright Act. *See* 495 U.S. at 230, 110 S.Ct. 1750 (noting only that "[t]he 1976 Copyright Act provides a single, fixed term, but provides an inalienable termination right") (citing 17 U.S.C. § 203). Accordingly, *Stewart* does not support the broad "plain meaning" that Clare attributes to section 304(c)(5).

Clare also relies on the Second Circuit's decision in *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002), to support her claim that the 1983 agreement is an

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[7] Apart from other differences, the counterpart provision found under section 203 covers transfers effected on or after January 1, 1978, whereas section 304(c) covers transfers before that date. 17 U.S.C. §§ 203(a), 304(c).

"agreement to the contrary" under section 304(c)(5). The contract at issue there was a settlement agreement between the parties, which ended a series of lawsuits filed in the 1960s by the creator of a copyrighted work. *Id.* at 283-84. The creator argued that the settlement agreement should not be given effect because it contractually changed the nature of the copyrighted work, labeling it as a "work made for hire" many years after its creation. *Id* at 284-85. The effects of this **[1044]** after-the-fact label were to make the creator an "employee for hire" rather than the author of the copyrighted work, and to foreclose his right to terminate the grant he had made in the copyrighted work. *Id.* at 283-84. Thus, unlike the issue presented in the case at bar, the issue facing the Second Circuit was "whether § 304(c)(5)'s phrase 'any agreement to the contrary' includes a settlement agreement stating that a work was created for hire[.]" *Id.* at 290 (quoting 17 U.S.C. § 304(c)(5)).

After examining the legislative history and considering the purpose of section 304(c), the court concluded "that an agreement made subsequent to a work's creation which retroactively deems it a work for hire constitutes an agreement to the contrary under § 304(c)(5) of the 1976 Act." *Id.* at 292 (internal quotation marks omitted). The Second Circuit held that an employer cannot contractually transform a creator or author of a copyrighted work into an "employee for hire." *Id.* The court expressed concern that if it held otherwise, works not satisfying the relationship-based "for hire" test could be coerced by post-facto agreements that designate such works to be something they are not: "works for hire." *Id.* at 291-92.

The facts, reasoning, and holding of *Marvel* have little relevance to this case because, here, there is no after-the-fact attempt to recharacterize the work or a prior agreement. Instead, the 1983 agreement involves contractual provisions that operated prospectively through the revocation of an existing grant and the making of a new one. As the district court recognized, "[t]he parties in the 1983 [a]greement did not attempt to change or modify the nature

of their association with one another, or alter the character of their long-standing author/grantee relationship."

Reinforcing this reasoning are the undisputed facts that the 1930 grant was expressly revoked by the Pooh Properties Trust, which made a new grant of rights to SSI that, *inter alia*, was more lucrative for the author's heirs. The fact that the 1983 agreement was meant to protect the continuing viability of the author's grant of rights to SSI is evident from the agreement itself. In that vein, it is important to note that the parties describe their 1983 agreement as a "new agreement *for the future* which the parties believe would not be subject to any right of termination under 17 U.S.C. Secs. 203 or 304(c)" (emphasis added).

Neither *Marvel* nor any other of Clare's cited authority supplies a basis for us to question the district court's decision or to undo the 1983 agreement, which was freely and intelligently entered into by the parties.[8] The beneficiaries of the Pooh **[1045]** Properties Trust were able to obtain considerably more money as a result of the bargaining power

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[8] Also not well taken is Clare's citation of *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), to support her perspective that section 304(c) preempts any right Christopher had in contracting for the termination of the 1930 grant. Based on *Rano*, she argues that the 1983 agreement did not produce an effective termination because the Pooh Properties Trust did not utilize the statutory termination procedure in place under section 304(c) of the 1976 Copyright Act. This overlooks the fact that *Rano* did not address the effectiveness of a party's purported exercise of a statutory termination right under section 304(c). The *Rano* court only held that the existence of such a statutory termination mechanism in section 203(a)(5) preempts a California common-law rule permitting the unilateral termination at will of an agreement that has a non-specified duration. 987 F.2d at 585-86. Whatever views one may have regarding the correctness of the narrow holding of *Rano*, it cannot be said that *Rano* suggests a ruling that would nullify a mutual decision to revoke a grant of rights. *See Scholastic Entm't, Inc. v. Fox Entm't Group, Inc.*, 336 F.3d 982, 988 n. 2 (9th Cir. 2003) (observing that "*Rano* has been called into serious question by courts as well as commentators"). Moreover, *Rano*'s narrow facts have no application here, where the 1930 grant expressly provided for its duration. *See Rano*, 987 F.2d at 583, 585 (emphasizing the fact that the subject agreement was one without a specified duration).

wielded by the author's son, Christopher, who was believed to own a statutory right to terminate the 1930 grant under section 304(c) of the 1976 Copyright Act. Although Christopher presumably could have served a termination notice, he elected instead to use his leverage to obtain a better deal for the Pooh Properties Trust. His daughter, Clare, was a beneficiary of this new arrangement, and her current dissatisfaction provides no reason to discredit the validity of the 1983 agreement and the rights conferred thereby.

2. Legislative History of Section 304(c)

The district court stated there was nothing wrong with the fact that "the 1983 [a]greement was created in order to protect SSI and Disney from a termination of the rights granted to them." Relying on legislative history, the district court read the House Report for the 1976 Copyright Act as confirming the rule that "[n]othing in the Copyright Acts has altered the power of private parties to contract." H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5743.

Clare criticizes the district court's approach to statutory construction, arguing that section 304(c)'s meaning is clear on its face and that there was no need for the district court to consider legislative history. She maintains that the district court used legislative history to override the statute itself.

We disagree. Section 304(c)(5) states that "[t]ermination ... may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant." 17 U.S.C. § 304(c)(5). As we have noted, the phrase "agreement to the contrary" is unclear. Even Clare agrees that the phrase is not defined by the statute, and the Second Circuit has expressly found the phrase ambiguous and that an analysis of legislative history is required to glean its meaning. *Marvel*, 310 F.3d at 290; *accord Walthal v. Rusk*, 172 F.3d 481, 484 (7th Cir. 1999) (reviewing legislative history upon concluding that section 304(c)(5)'s counterpart termination provision under section

203 "is not perfectly clear"). This court has recognized that when a statute's terminology is not clear on its face, it is appropriate to seek guidance in the legislative history. *In re BCE West, L.P.*, 319 F.3d 1166, 1171 (9th Cir. 2003); *see also United States v. Buckland*, 289 F.3d 558, 565 (9th Cir. 2002) ("Where the language is not dispositive, we look to the congressional intent revealed in the history and purposes of the statutory scheme." (internal quotation marks omitted)).

As Clare concedes, a review of the legislative history turns up nothing to support her contention that she may terminate SSI's rights in the Pooh works on the theory that the 1983 agreement is an "agreement to the contrary." On the contrary, Congress specifically stated that it did not intend for the statute to "prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one[.]" H.R. Rep. No. 94-1476 at 127, 1976 U.S.C.C.A.N. at 5743.[9] Congress **[1046]** further stated that "nothing in this section or legislation is intended to change the existing state of the law of contracts concerning the circumstances in which an author may terminate a license, transfer or assignment. " H.R. Rep. No. 94-1476 at 142, 1976 U.S.C.C.A.N. at 5758. Congress therefore anticipated that parties may contract, as an alternative to statutory termination, to revoke a prior grant by replacing it with a new one. Indeed, Congress explicitly endorsed the continued right of "parties to a transfer or li-

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[9] To the extent that the legislative record references section 304(c)(5)'s counterpart provision under section 203(a)(5), we find that history instructive given Congress's use of identical language in both provisions. *See Gustafson v. Alloyd Co.*, 513 U.S. 561, 570, 115 S.Ct. 1061, 131 L.Ed.2d 1 (1995) (recognizing that "'identical words used in different parts of the same act are intended to have the same meaning'" under the "'normal rule of statutory construction'" (quoting *Dep't of Revenue of Or. v. ACF Indus., Inc.*, 510 U.S. 332, 342, 114 S.Ct. 843, 127 L.Ed.2d 165 (1994))); *see also Batjac Prods., Inc. v. Good-Times Home Video Corp.*, 160 F.3d 1223, 1228 (9th Cir. 1998) (supporting the "'basic canon of statutory construction that identical terms within an Act bear the same meaning'" (quoting *Estate of Cowart v. Nicklos Drilling Co.*, 505 U.S. 469, 479, 112 S.Ct. 2589, 120 L.Ed.2d 379 (1992))).

cense" to "voluntarily agree[ ] at any time to terminate an existing grant and negotiat[e] a new one." H.R. Rep. No. 94-1476 at 127, 1976 U.S.C.C.A.N. at 5743.

The rationale behind the legislation was to "safeguard[] authors against unremunerative transfers" and improve the "bargaining position of authors" by giving them a second chance to negotiate more advantageous grants in their works after the works had been sufficiently "exploited" to determine their "value." H.R. Rep. No. 94-1476 at 124, 1976 U.S.C.C.A.N. at 5740. Congress sought to foster this purpose by permitting an author's heirs to use the increased bargaining power conferred by the imminent threat of statutory termination to enter into new, more advantageous grants. This is exactly what Christopher and the other beneficiaries of the Pooh Properties Trust did in 1983.

After more than 50 years of advancement of the Pooh works in the marketplace, their value was sufficiently demonstrated, and the 1976 Copyright Act provided Christopher a window for termination. The Pooh Properties Trust recognized the perceived right to terminate as a valuable bargaining chip, and used it to obtain an advantageous agreement that doubled its royalty share relative to SSI's share. Thus, the 1983 agreement exemplifies the increased bargaining power that Congress intended to bestow on authors and their heirs by creating the termination right under the 1976 Copyright Act. As the 1983 agreement appears to be the type expressly contemplated and endorsed by Congress, we do not consider it to be a prohibited "agreement to the contrary" under section 304(c)(5).

In addition, Clare attempts to conjure up a proverbial "parade of horrors" that she believes would result were we to uphold the parties' exercise of free will to enter into the 1983 contract. She argues that judicial recognition of the 1983 agreement "'would provide a blueprint by which publishers could effectively eliminate an author's termination right'" (quoting *Marvel*, 310 F.3d at 291). The strength of a proposed parade of horrors, however, lies "in direct proportion to (1) the certitude that the provision in question was

meant to exclude the very evil represented by the imagined parade, and (2) the probability that the parade will in fact materialize." *Harmelin v. Michigan*, 501U.S. 957, 986 n. 11, 111 S.Ct. 2680, 115 L.Ed.2d 836 (1991) (Scalia, J., concurring). The application of these factors here shows that Clare's imagined parade will never march forward. Clare presents no authority suggesting that Congress **[1047]** designed the statutory termination provisions to prevent parties from agreeing to a simultaneous revocation and new grant of rights. Certainly with regard to the instant case, Clare's concerns are unfounded. The 1983 agreement came about some seven years after the copyright owner felt empowered to exercise his right of termination under the 1976 Copyright Act, and after he was able to assess the works' value over the course of more than five decades. Far from resulting in a termination of the grantee's rights, the 1983 agreement resulted in an increased royalty stream to the author's heirs—the very result envisioned by Congress when it enacted the termination provisions.

B. "Moment of Freedom"

Clare also advances the theory that the 1983 agreement did not serve to revoke the 1930 grant to Slesinger because no "moment of freedom" was built in between the agreement's simultaneous revocation and re-granting of rights in the Pooh works. She claims that section 304(c)(6)(D) requires such a "moment of freedom" before a re-grant of rights may take place, and that without such a moment of freedom, the 1983 agreement is nothing more than an amendment to the original 1930 agreement, one that is terminable under the CTEA.

Section 304(c)(6)(D) reads as follows:

> A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid *only if it is made after the effective date of the termination*. As an exception, however, an agreement for such a further grant may be made between the author ... and the original grantee or such

> grantee's successor in title, after the notice of termination has been served....

17 U.S.C. § 304(c)(6)(D) (emphasis added). This provision sets forth the proper timing mechanism for grants and agreements to make grants where the statutory termination under section 304(c)(5) has been exercised. *Id.* But Clare does not contend and cannot contend that in 1983 anyone exercised a statutory right of termination with respect to the Pooh works.

Clare's sole support for her position is found in a treatise authored by the late-Professor Melville Nimmer. In his treatise, Professor Nimmer expressed his *assumption* that this subsection—which on its face applies only to the statutory termination of a prior copyright grant—is intended to benefit authors and should therefore be extended to prohibit a simultaneous contractual termination and re-grant of copyright rights. *See* 3 M. Nimmer, Nimmer on Copyright § 11.07 (6th ed.1978). Clare's counsel, however, conceded at oral argument that no source of primary authority has endorsed this assumption. We too decline to do so.

Congress included the general rule in section 304(c)(6)(D)—prohibiting a new grant of rights terminated by statute until after the effective date of termination—to avoid trafficking in future interests by third parties, which would deprive the original grantee of the opportunity to negotiate a further transfer. H.R. Rep. No. 94-1476 at 127, 1976 U.S.C.C.A.N. at 5743. The exception to this rule provides that once a notice of termination is served, the original grantee or his successor-in-title, here SSI, is the only party to whom the author (or author's heir) may promise a future grant, and is therefore similarly intended to give the original grantee a competitive advantage over third parties (like co-plaintiff Disney) who wish to obtain the rights covered by the terminated grant. *See id.* (stating that the exception is "in the nature of a right of 'first refusal'" in the original grantee's favor). Thus, contrary to Clare's view, section **[1048]** 304(c)(6)(D) was not intended to protect the author or

his heirs, but was instead intended to protect licensees, such as SSI.

We note that the district court reasonably posited that if Congress intended to require a "moment of freedom," it would have clearly said so. After all, such an implied condition is difficult to harmonize with the statute's purpose of benefitting the original grantee or with other provisions of Title 17. For example, three other statutory provisions require advance notice of termination to be served at least two years before the effective date of the termination. 17 U.S.C. §§ 203(a)(4)(A), 304(c)(4)(A), 304(d)(1).[10] During the two-year period between service of the notice and the termination's effective date, the original grant remains in effect so that the holder of the termination right is no freer to walk away from the to-be-terminated grant than he was before he served the notice. Thus, contrary to the argument advanced by Clare and the Nimmer treatise, section 304(c)(6)(D) does not require a "moment of freedom" between termination of a grant and the creation of a new grant in its place because it allows the author or his heirs to enter into a binding agreement with the original grantee after service of the termination notice but before its effective date.

Even assuming that Congress intended such a "moment of freedom" between a contractual revocation and re-grant of rights, we note that Christopher's ability to exercise his perceived termination right gave him all the freedom he needed to refrain from entering into a new grant of copyright rights to SSI. He parlayed that right into a new agreement giving increased compensation to the Pooh Properties Trust, of which Clare is a prime beneficiary. In doing so, he fulfilled the very purposes for which Congress enacted the termination right. Thus, it defeats common sense to suggest that he needed to take a walk around the block be-

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[10] These provisions themselves intend to benefit the original grantee, as they ensure that the original grantee will have adequate notice of the impending loss of rights.

tween the time he revoked the old agreement and entered into the new one.

Moreover, still assuming a preference for a moment of freedom, there is nothing to suggest that the parties would have come to any other decision than the one they reached. There is absolutely nothing in the record that would show that the beneficiaries of the Pooh Properties Trust were prejudiced in any way by the 1983 agreement. At bottom, Clare contends that the 1983 agreement did not give her as much money as she would like to receive. Such a position, however, does not amount to a viable termination right under the CTEA.

III

For the foregoing reasons, the district court correctly declared Clare's termination notice ineffective. The CTEA's termination provision does not apply to post-1978 agreements such as the parties' 1983 agreement, which continues to control the parties' rights and royalty shares in the Pooh works. In addition, Clare is unable to show that the 1983 agreement constitutes an "agreement to the contrary" under section 304(c)(5), and thus the courts cannot disregard the 1983 agreement. Nor are we persuaded by Clare's "moment of freedom" argument. Quite simply, there is no principle of logic, canon of statutory construction, or consideration of fairness that supports Clare's reading of the CTEA. Accordingly, the decision of the district court is AFFIRMED.

APPENDIX B

ORDER GRANTING IN PART AND DENYING IN PART DEFENDANT'S MOTION FOR JUDGMENT ON THE PLEADINGS

ORDER DENYING PLAINTIFF MILNE'S MOTION FOR SUMMARY JUDGMENT

ORDER DISMISSING DEFENDANT'S COUNTERCLAIMS AS MOOT

ORDER DENYING PLAINTIFF DISNEY'S MOTION TO DISMISS COUNTERCLAIMS AS MOOT

This matter is before the Court on a number of motions: Defendant's Motion for Judgment on the Pleadings or alternatively, for Summary Judgment (docket #11); Plaintiff Disney's Motion to Dismiss Counterclaims or alternatively, for a More Definite Statement (docket #37); and Plaintiff Milne's Motion for Summary Judgment (#55). Oral argument was heard on May 5, 2003, at which time the parties were in possession of the Court's tentative decision. Following argument, the matter was taken under submission. The Court now grants defendant's Motion for Judgment on the Pleadings as it relates to the termination notice served by Clare Milne.

I. INTRODUCTION

This case involves a dispute over the rights to certain works by author A.A. Milne ("the author"), who, in his 1920s classic children's books, created characters that have, in the seventy-odd years since their creation, become cultural icons.[1] Specifically, at issue in this action are rights to *When*

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[1] The characters are so recognizable they barely need introduction. Nevertheless, they include the boy Christopher Robin, and his stuffed bear, Winnie-the-Pooh, as well as their friends Piglet, Tigger, Eeyore, Owl, Rabbit, Kanga and Roo. An April 3, 2003, search of "Winnie-the-Pooh" on <<amazon.com>> yielded the following results: 483 items in the "books" category, 5 baby items, 3 DVDs, 38 toys and games, 50 videos,

We Were Very Young (copyrighted 11/12/1924), *Winnie-the-Pooh* (copyrighted 10/21/1926), *Now We Are Six* (copyrighted 10/14/1927), and *The House at Pooh Corner* (copyrighted 10/15/1928) (collectively referred to as "the works").

In resolving this issue, the Court must consider the evolution of federal copyright law, which has changed over the last century with the passage of copyright acts in 1909, 1976, and 1998. The Court must also consider the various agreements entered into by the parties to this action and others, including the author himself, his son Christopher Robin Milne, his granddaughter Plaintiff Clare Milne, Stephen Slesinger, Defendant Stephen Slesinger, Inc. ("SSI"), and Plaintiff Disney Enterprises (and its predecessor, Walt Disney Productions) (generically referred to as "Disney").

The claims and counterclaims seek only declaratory relief. Plaintiffs seek a declaration that a copyright termination notice served by Clare Milne ("Milne") is valid, and that rights to the works will revert to Milne on November 5, 2004. Specifically, Plaintiffs seek a declaration that Milne possesses 100% of the termination interests in the works, that no person has previously exercised the termination rights, that the termination date falls within a five-year period beginning at end of 75 years from the date on which the copyright was originally secured, and that therefore the termination notices are valid. Plaintiffs seek a similar declaration with respect to a termination notice served by Harriet Jessie Minette Hunt, granddaughter of Ernest H. Shepard,[2] who illustrated or "decorated" the works at issue in this action. Plaintiffs also seek a declaration that upon the termination effective date, they are no longer required to pay royalties to SSI under a 1983 agreement among the parties.

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and a number of items in the categories of music, computer and video games, magazines, electronics, and apparel.

[2] Throughout this Order, the Court refers to Shepard as "the illustrator."

SSI has filed two counterclaims. In its first claim, SSI seeks a declaration that an agreement between Disney and Milne regarding Milne's future reversionary rights is void *ab initio* under federal copyright law. In its second counterclaim, SSI seeks a declaration that it is still entitled to royalties under the 1983 agreement even if the rights revert to Milne.

Ultimately, the Court determines that SSI is entitled to judgment as a matter of law as to both claims, and that SSI's counterclaims are moot.

II. FACTUAL BACKGROUND

A. The Parties' Agreements

1. The 1930 Grant

In January 1930, the author Milne entered into an agreement with Stephen Slesinger regarding certain uses of the works. (*See* 02/10/03 Harr Decl., Exh. A). In exchange for royalties (and an advance of $1000 against future royalties), Slesinger was granted certain rights[3] "for and during the respective periods of copyright and of any renewal thereof to be had under the Copyright Act ..." (The "1930 Grant"). Slesinger incorporated Stephen Slesinger, Inc. ("SSI") in March 1930, and appears to have transferred the rights to SSI as contemplated by the 1930 grant.[4]

2. The 1961 Agreements

In 1961, SSI entered into an agreement with Walt Disney Productions regarding rights to the works ("1961 SSI

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[3] The 1930 Grant relates to merchandising rights. The Grant was later amended, as evidenced by a 1932 letter from SSI to the author. (*See* 02/10/2003 Harr Decl., Exh. B). SSI was granted other rights, including radio and television rights. These radio and television rights, as well as motion picture rights, were returned to the author's estate for a short period of time in 1957. (*See* 02/10/2003 Harr Decl., Exh. C).

[4] Plaintiffs point out that there is no evidence the rights were transferred to SSI. However, the later agreements regarding rights to the works were all executed on behalf of SSI; therefore, it is reasonable to assume such a transfer took place.

Agreement"). (*See* 02/10/2003 Harr Decl., Exh. D). SSI assigned Disney the rights, and Disney agreed to pay royalties to SSI.

Around the same time Disney also entered into a similar agreement with the author's widow and a trust that held rights to the works ("1961 Milne Trust Agreement"). Under this agreement, Disney was granted motion picture rights, foreign merchandising rights, and other exclusive rights in exchange for royalties.

3. The 1983 Agreements

In 1983, the parties entered into another agreement regarding the rights to the works ("the 1983 SSI Agreement"). (*See* Harr Decl., Exh. E). Although Disney characterizes this agreement as one that merely adjusted the royalties to be paid to the parties, an examination of this agreement reveals it goes far beyond the narrow scope advanced by Disney.

The 1983 SSI Agreement first acknowledged the 1930 Grant, as amended, and the 1961 assignment of rights to Disney. Next, the 1983 SSI Agreement acknowledged that ownership of the copyrights and the benefits of the 1930 Grant had been transferred to the Pooh Properties Trustees.[5] The 1983 SSI Agreement then recognized that there were "disputes which [had] existed between them" and declared that they were resolved to "clarify certain aspect [sic] of their contractual arrangements and to settle revised agreements." The Agreement recognized that, as the author's heir, Christopher Robin Milne could have a right of termination under § 304(c) of the 1976 Copyright Act (17 U.S.C. § 304(c)). By executing the Agreement, however, Christopher Robin Milne agreed not to exercise that right. The parties then indicated their desire to revoke the 1930

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[5] In this document, Christopher Robin Milne, the author's only son, is not listed as a Pooh Property Trustee.

Grant and the 1961 Agreements in favor of a new Agreement that would benefit all parties.

The Agreement then revoked the 1930 Grant: "The agreement dated 6 January 1930 between A.A. Milne and [SSI]'s predecessor, and any amendments thereto ... are hereby revoked." The 1961 agreements were also revoked. However, its rights were then, on the same page, re-granted to SSI: "The Trustees hereby assign, grant, and set over unto [SSI] all of the rights in and to [the works] which were transferred to [him by virtue of the 1930 Grant, as amended.]" SSI, in exchange for royalties, granted to Disney radio, television, motion picture, and merchandising rights to the works.

B. The Termination Notices

On November 4, 2002, Clare Milne served on SSI a notice of termination regarding the works. The termination refers to the 1930 Grant (as amended and "reconfirmed"), and the 1961 Agreements.

On that same date, Harriet Jessie Minette Hunt, illustrator Shepard's granddaughter, served on SSI a notice of termination regarding the works as well. Hunt's termination notice stated the intent to terminate all grants from Ernest H. Shepard to A.A. Milne on, prior to or subsequent to January 6, 1930 with respect only to rights granted to Stephen Slesinger (or Stephen Slesinger, Inc.) the grant from A.A. Milne to Stephen Slesinger on January 6, 1930 as amended, and all prior and subsequent grants from Ernest H. Shepard (or any successor), extending, re-defining, confirming or re-granting the foregoing rights.

The effective date in the notice of termination is November 5, 2004. In or around November 2002, in a document that has not been filed with the Court (but has been described in the parties' papers), Disney entered into agreements with Milne and Hunt assigning to Disney the rights that will revert to them in 2004 ("the Reversion Agreement").

III. Standard for Dismissal Pursuant to Fed. R. Civ. P. 12(c)

Rule 12(c) of the Federal Rules of Civil Procedure permits a party to move to dismiss "[a]fter the pleadings are closed but within such time as not to delay the trial." Judgment on the pleadings may be granted only when "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Enron Oil Trading & Transp. Co. v. Walbrook Ins. Co., Ltd.*, 132 F.3d 526, 529 (9th Cir.1997) (internal quotations and citations omitted). In deciding a motion for judgment on the pleadings pursuant to Rule 12(c), the Court may consider pleadings, documents attached as exhibits or incorporated by reference in the pleadings, and matters of which the Court may take judicial notice; the Court may also consider documents not explicitly incorporated in or attached to the complaint if the complaint necessarily relies on these documents and their authenticity is not questioned. *See Parrino v. FHP, Inc.*, 146 F.3d 600, 709 (9th Cir.1998), *cert. denied*, 525 U.S. 1001 (1998).

IV. The Changing Copyright Laws and the Works

When the works were copyrighted, the 1909 Copyright Act was in effect. The 1909 Act granted an author a period of twenty-eight years of copyright protection, plus an additional twenty-eight years of protection if the copyright was renewed. 17 U.S.C. § 24 (1909 Act) (repealed). The parties agree that the copyrights to the works were properly renewed. The copyrights in the works were therefore in subsistence on January 1, 1978, the effective date of the 1976 Copyright Act.

The 1976 Copyright Act granted an additional 19 years of protection to works that were in their renewal period at the effective date of the Act. 17 U.S.C. § 304(a). This act extended the copyright protection period in the works to the early 2000s. The 1976 Act also created certain residual rights for authors and their heirs as to rights to works that had previously been granted to third parties. 17 U.S.C. § 304(c). Authors or their heirs would be permitted to ter-

minate others' rights in works within a five-year period beginning fifty-six years after the creation of the work. 17 U.S.C. § 304(c)(3). It appears that in this case, the termination rights under the 1976 Act were not ever exercised.[6]

In 1998, Congress passed the Sonny Bono Copyright Termination Extension Act ("CTEA"), effective October 27, 1998. The CTEA granted additional residual rights to authors and heirs of protected works whose termination rights under the 1976 Act had expired without being exercised. 17 U.S.C. § 304(d). But these additional rights were conferred only with respect to grants that were made before the effective date of the 1976 Act, January 1, 1978.[7] Termination under CTEA may be effected by an author or his heirs within the five-year time period beginning seventy-five years after the creation of the work. 17 U.S.C. § 304(d)(2). Termination notices must be served no fewer than two and no more than ten years prior to the effective date of the termination. 17 U.S.C. § 304(c)(4)(A).

V. THE MILNE TERMINATION NOTICE

SSI's Motion for Judgment on the Pleadings implicates the issue at the very heart of the present dispute: Should the 1983 SSI Agreement be treated as a pre-1978 agreement to be governed by the termination provisions of 17 U.S.C. § 304?

Nothing in the Copyright Acts has altered the power of private parties to contract. H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5743. The Court acknowledges that the 1983 SSI Agreement was created in order to protect SSI and Disney from a

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[6] As evidenced by the 1983 SSI Agreement, Christopher Robin Milne chose to enter into a new agreement regarding rights to the works rather than exercise his right of termination.

[7] Termination rights with respect to grants made by the author on or after the effective date of the 1976 Act are governed by 17 U.S.C. § 203(a). Under § 203(a), such a grant may not be terminated for thirty-five years.

termination of the rights granted to them.[8] The language of the 1983 SSI Agreement expressly states that the parties "revoke" the 1930 Grant, as amended, and the 1961 Agreements. The 1983 SSI Agreement is a new, post-1977 agreement. Significantly, the parties describe their 1983 agreement as a "new agreement for the future which the parties believe would not be subject to any right of termination under 17 U.S.C. Secs. 203 or 304(c)." (1983 Agreement, page 2)

Plaintiffs argue that the 1983 SSI Agreement is merely an extension of the 1930 Grant. Plaintiffs point to the interpretation of two provisions regarding termination agreements as set forth in Nimmer on Copyrights, § 11.07.[9] In this section, Professor Nimmer explains the rationale behind §§ 203(a)(5) and 304(c)(5)'s provision that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant."

These provisions, Nimmer explains, are meant to protect an author from a grantee with greater bargaining power who demands that an author agree to surrender his or her future right of termination as a condition of sale. In such a situation, Nimmer hypothesizes that an original grantee may be able periodically to extend the time before which termination may occur, if the grantee can persuade the author to terminate the original grant by contract, and negotiate a new one, "thereby causing another 35-year period to start running."

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[8] Plaintiffs object to the admissibility of the legal opinion offered to Disney by Melville Nimmer regarding this issue. The Court does not rule on the admissibility of this document; the fact that the 1983 SSI Agreement was meant to protect the continuing viability of the author's grant of rights to SSI is evident from the Agreement itself.

[9] The Court recognizes that Plaintiffs counsel, David Nimmer, is a co-author of this treatise. However, Plaintiffs have submitted evidence that § 11.07 of the treatise has remained substantively unchanged since 1978. (See 02/03/03 Nimmer Decl., Exh. 1).

Nimmer noted that there is a serious legal question whether the execution of a new grant will effectively postpone the period for termination if the voluntary termination of the prior grant is conditioned by the grantee upon the grantor's consent to execute the new grant. Nimmer predicted that courts could "conclude that a grantee may not subvert the statutory rule against obtaining a new grant prior to termination of the original grant ... unless there is at least a moment when the grantor is bound under neither the prior nor the new grant." Nimmer saw this moment as something more than a mere formality: "During this moment, of course, the grantor could refuse to execute the new agreement. This would fulfill the statutory purpose of giving the grantor at least one chance to revoke the grant." Nimmer predicted that "[w]ithout such a period between the lapse of the prior grant and the commencement of the new one, there is not a new grant, but only a change in the terms of the old grant, which remains viable for the purpose of measuring the time until the termination period."

Here, it is evident that by combining the revocation of the 1930 Grant with the re-granting of the same rights in the same documents, the parties were careful not to provide Christopher Robin Milne and/or the Trustees with the opportunity to revoke the grant. Therefore, Plaintiffs argue that the Court should reject SSI's arguments and rule in accordance with Professor Nimmer's conclusion that such transfers are "agreements to the contrary" within the meaning of §§ 203(a)(5) and 304(c)(5).

Under other circumstances, the Court could be persuaded by this "moment of freedom" argument. Here, however, the Court is unpersuaded, for two reasons.

First, neither § 304(c)(5) nor § 203(a)(5), both of which provide that termination of a grant may be effected "notwithstanding any agreement to the contrary," apply to this case. Section 304 does not apply, because this is a post-1978 agreement, and § 203 does not apply, because the grant in question was not made by the author.

Second, even if § 304 were deemed applicable, the author's son had the opportunity to terminate the 1930 Grant as to each of the four works prior to the execution of the 1983 agreement on April 1, 1983. Christopher Robin Milne could have terminated the 1930 Grant as to *When We Were Very Young* effective as early as November 20, 1980, and to *Winnie-the-Pooh* as early as October 21, 1982. The earliest that termination of the rights to the other two works, *Now We Are Six* and *The House at Pooh Corner*, could have been effected was October 14, 1983 and October 15, 1984, respectively. Although the termination dates as to the last two works would have occurred after the execution of the 1983 agreement, the termination notices (which must be filed two years before the termination effective date) could have been served before the execution of the 1983 agreement, Christopher Robin Milne, therefore, had his "moment of freedom" to revoke the rights granted to SSI under the 1930 Grant, but chose not to do so. Therefore, the concerns raised by Nimmer regarding conditioning a revocation of rights on a new grant of those rights is not implicated.

Plaintiffs also contend that the 1983 agreement was an ineffective attempt to alter the nature of the parties' relationship, citing *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2nd Cir.2002). In *Marvel*, the parties had entered into a settlement agreement, many years after a work's creation, stipulating that the original work had been a "work for hire." The Court concluded that the parties could not alter the nature of their relationship by changing its designation, and held that the agreement was an "agreement to the contrary" under § 304(c)(5) of the 1976 Act. (*Id.* at 291)

This case is significantly distinguishable from *Marvel*. The parties in the 1983 Agreement did not attempt to change or modify the nature of their association with one another, or alter the character of their long-standing author/grantee relationship.

The 1983 Agreement was a new contract, effective after January 1, 1978. Accordingly, the Milne termination notice is invalid.

VI. THE HUNT TERMINATION NOTICE

Arguments raised by the parties have convinced the Court that a separate discussion of the rights of Ernest H. Shepard ("the illustrator") is warranted. Markedly absent from the many agreements that have taken place over the years regarding the works is the participation of Shepard or his descendants. Shepard's descendants are equally absent from this action.

It appears to the Court that Hunt is a person to be joined if feasible under Fed. R. Civ. P. 19(a). The Court is without sufficient information to determine whether her joinder is feasible.

VII. SSI'S COUNTERCLAIMS

In light of the Court's holding regarding the invalidity of the Milne termination notice, SSI's counterclaims are moot, and are hereby dismissed for that reason.

VIII. CONCLUSION

Defendant's Motion for Judgment on the Pleadings or alternatively, for Summary Judgment (docket #11), is hereby granted in part and denied in part. Plaintiff Disney's Motion to Dismiss Counterclaims or alternatively, for a More Definite Statement (docket #37) is denied. Plaintiff Milne's Motion for Summary Judgment (#55) is denied.

Judgment on the pleadings is hereby granted in favor of SSI as to Plaintiffs' declaratory relief claim regarding the validity of the Milne Termination Notice. SSI's counterclaims are moot, and are dismissed for that reason.

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

[STAMP: FILED
JAN 18 2006
CATHY A. CATTERDSON, CLERK
U.S. COURT OF APPEALS]

CLARE MILNE by and through MICHAEL JOSEPH COYNE, her receiver, Plaintiff-Appellant, v. STEPHEN SLESINGER, INC., Defendant-Appellee.	NO. 04-57189 D.C. No. CV-02-08508-FMC Central District of California, Los Angeles ORDER

Before: WALLACE, SILVERMAN, and CALLAHAN, Circuit Judges.

The appellant's petition for panel rehearing and suggestion for rehearing en banc are hereby DENIED.

SO ORDERED.

No. 05-1332

FILED
MAY 22 2006
OFFICE OF THE CLERK
SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

CLARE MILNE, by and through Michael Joseph Coyne, her Receiver,

Petitioner,

v.

STEPHEN SLESINGER, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

In 2002, Petitioner Clare Milne served a notice of termination under Section 304(d) of the Copyright Act purporting to terminate a 1930s grant of rights under copyright from her grandfather, author A.A. Milne, to Respondent Stephen Slesinger, Inc.'s predecessor-in-interest. On its face, Section 304(d) only permits termination of still-existing grants "executed before January 1, 1978." Based on the undisputed facts of the case, the district court and court of appeals each found that the 1930s copyright grant that Petitioner sought to terminate already had been lawfully revoked by contract in 1983 and thus was not in existence when Petitioner sought to terminate it by statute in 2002. The Ninth Circuit therefore affirmed a decision of the United States District Court for the Central District of California that Petitioner's notice of termination is without legal effect. The question presented is:

Whether Petitioner has presented "compelling reasons" to grant the Petition where: (i) the Ninth Circuit's decision is correct under a plain reading of the text of Section 304(d), is consistent with the policy behind the termination provisions of the Copyright Act, and is expressly supported by the relevant legislative history; (ii) the decision is not in conflict with the decision of another United States court of appeals or any other court; and (iii) the decision is based upon a highly particularized and unique set of facts and therefore is likely to have little or no effect on any other persons.

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, Respondent Stephen Slesinger, Inc. states that it has no parent corporation and that no publicly held corporation owns 10% or more of its stock.

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STATEMENT OF THE CASE

This case *does not* concern "the ownership of the copyrights in *Winnie-the-Pooh, The House at Pooh Corner, When We Were Very Young*, and *Now We Are Six* (the 'Pooh Works')." *See* Pet. 2. As explained below, even if Petitioner had obtained the relief she and her co-plaintiff Disney Enterprises Inc. sought in their Amended Complaint, Disney would continue to own the right to exploit the Pooh Works, just as it has since 1961 and just as it does today. The real issue in this case is whether Disney—which admittedly is funding this litigation for Petitioner—must continue to pay royalties to Respondent Stephen Slesinger, Inc. ("Slesinger") from Disney's ongoing exploitation of the Pooh Works for specified uses.

Petitioner is involved in this dispute between Disney and Slesinger because Disney enlisted her to serve a notice of termination under Section 304(d) of the Copyright Act purporting to terminate a 1930s grant of copyright rights from her grandfather, A.A. Milne, to Respondent's predecessor-in-interest Stephen Slesinger, and then immediately to assign such rights to Disney. The purpose of the termination was to relieve Disney, Slesinger's licensee of certain rights in the Pooh Works, of its contractual obligation to pay Slesinger a share of Pooh-related royalties and to give Disney a tactical advantage in a thirteen-year-old state court royalty dispute with Slesinger.

Section 304(d) provides a limited right of termination only with respect to *existing* copyright grants "executed *before January 1, 1978*." 17 U.S.C. § 304(d) (emphasis added). But Petitioner's termination notice suffers from an obvious and fatal defect: it purports to terminate a 1930s grant of copyright that already had been expressly terminated by contract by Petitioner and the other beneficiaries of her grandfather's testamentary trust in 1983. At that time, the trust beneficiaries and Petitioner's father entered into a new arrangement with Slesinger and Disney that reduced Slesinger's share of royalties and enabled the trust's beneficiaries, including Petitioner, to reap hundreds of millions of dollars in increased royalties from 1983 forward at Slesinger's expense.

After a full consideration of the undisputed facts, the district court and the court of appeals rejected Petitioner's attempt to escape the plain meaning and import of Section 304(d), and held that since the only existing grant of rights to Slesinger was made in 1983, Section 304(d) does not apply. In rejecting Petitioner's claim that the 1983 agreement violated the letter and spirit of the termination provisions, the courts below held that the agreement was expressly contemplated by Congress: the legislative history states that the termination provisions were not intended to "prevent parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one. . . ." H.R. Rep. No. 94-1476, at 127 (1976) (hereafter, "H. Rep."); S. Rep. No. 94-473, at 111 (1975) (hereafter, "S. Rep."). The courts below also found that the agreement furthered the purposes of the termination provisions by permitting the author's family, including Petitioner, to negotiate better terms than those contained in the original 1930s grant.

The case does not require another appeal. In an effort to interest this Court, Petitioner seriously misrepresents the undisputed facts. For example, the Petition ignores that Petitioner was a beneficiary of the trust at the time of the 1983 agreement and that her father, Christopher Milne, was a key party to the agreement. These and other undisputed facts on which the courts below decided this case deserve this Court's attention, rather than an imagined record or purely hypothetical questions. Petitioner also asks the Court to give an expansive reading of the termination provisions that is far beyond what Congress intended and is not justified. As the Ninth Circuit held, "[q]uite simply, there is no principle of logic, canon of statutory construction, or consideration of fairness that supports" Petitioner's interpretation of Section 304(d). App. 20a. Moreover, contrary to Petitioner's assertions, there is no conflict between the decision below and the decisions of the Second Circuit in *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (1992), and *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002). Lastly, the decision is likely to have little or no impact on any nonparties. The Petition should be denied.

Background: The Parties and the Origin and Nature of the Case: Petitioner is the sole grandchild of A.A. Milne and daughter of Christopher Milne. App. 5a.[1] A.A. Milne has no other living heirs. *Id.* Because Petitioner is disabled, her affairs have been managed by a court-appointed "Receiver" since 1982. **ER** 3 ¶ 5, 101 ¶ 7.[2] From 1982 to 2002, Petitioner's Receiver was Michael John Brown, Christopher Milne's lawyer. *See* **ER** 361 ¶ 6, 365 ¶ 2. Another lawyer at Brown's firm, Michael Joseph Coyne, took over as Petitioner's Receiver when Brown retired in 2002, shortly before Petitioner served the termination notice. Coyne acts for Petitioner in this action. **ER** 3 ¶ 5, 361 ¶ 6.

Slesinger is a closely held family corporation founded seventy-five years ago by Stephen Slesinger, a television and film producer, creator of comic book characters and pioneer in the licensing of characters for children. App. 4a.

Pre-1983 Transfers of Rights in the Pooh Works: In a series of agreements in the 1930s (collectively, the "1930s Agreement") A.A. Milne licensed to Mr. Slesinger certain rights in the U.S. and Canada relating to characters in the Pooh Works in exchange for a substantial share of the income earned by Mr. Slesinger. App. 4a; Pet. 2. Although Mr. Slesinger received some limited rights under U.S. copyright relating to the Pooh Works, the rights he received were principally trademark, merchandising, and further contractual rights—indeed, Mr. Slesinger did not receive the right to publish, reproduce or distribute the original Pooh Works (which are still in print today) or to publish derivative books based on them. **ER** 181 ¶ 1(a)-(c). Subsequently, Mr. Slesinger assigned his rights under the 1930s Agreement to Slesinger. App. 4a.

A.A. Milne died in 1956. App. 5a. So that his family would continue to benefit from his literary works, he bequeathed in his will worldwide rights, expressly including copyrights, in

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1. Citations to "App." are to the Appendix of the Petition.

2. Citations to "**ER**" and "**SER**," respectively, refer to the Excerpts of Record and Supplemental Excerpts of Record filed below.

the Pooh Works to a trust for the benefit of his widow, Dorothy Daphne Milne, and, after her death, in trust for beneficiaries who included their only child, Christopher Milne. *Id.*; Pet. 18.

In 1961, through two related agreements, Slesinger and A. A. Milne's estate joined to grant certain worldwide rights in the Pooh Works exclusively to Disney in exchange for royalties. App. 5a, 59a-60a. As owner of the more valuable United States and Canadian rights, Slesinger received nearly double the share of royalties that A.A. Milne's estate received. *See* App. 6a-7a.

A. A. Milne's widow died in 1971. App. 5a. In accordance with A.A. Milne's will, her beneficial interest thereunder was assigned to a trust (hereafter, the "Trust") that included the Milnes' son, Christopher Milne, as a beneficiary. *Id.*; **ER** 5 ¶ 15, 101 ¶¶ 2-3. The Trust thereby succeeded, pursuant to A.A. Milne's will, to the author's copyright ownership in the Pooh Works, as well as his right to receive royalties payable by licensees of rights in the works, such as Slesinger and Disney. App. 5a, 59a; **ER** 5 ¶ 15, 101 ¶¶ 2-3.

Christopher Milne selected his lawyer (and later Petitioner's Receiver), Michael Brown, to serve as the "Milne Trustee" of the Trust. **ER** 90, 91 ¶ 3, 365 ¶ 5. In 1982, Christopher Milne divested himself of his interest in the trust, including by transferring one-half his beneficial interest in the trust to his daughter, Petitioner.[3] *See* App. 5a, 7a, 10a, 13a.

The New Termination Right in the Copyright Act of 1976: In 1976, Congress enacted a new copyright statute (the "1976 Act"). Under the predecessor statute (the "1909 Act"), copyright protection was available for an original 28-year term that could be renewed for another 28 years. The 1976 Act extended the second (or "renewal") term of protection for

3. Given that A.A. Milne's wife, only son, and granddaughter benefited from his testamentary trust, Petitioner's claim that "[w]hen [A.A.] Milne died in 1956, he bequeathed his ownership to the copyrights not to his widow, his then-surviving son, Christopher Robin Milne, or his then-unborn granddaughter, petitioner Clare Milne, but to the Milne Trust" (Pet. 3-4) is inexcusably deceptive.

copyrights subsisting on January 1, 1978 by 19 years (the "extended renewal term"), thereby extending the combined term of available protection from 56 to 75 years. *See* Pub. L. No. 94-553, 90 Stat. 2541, § 304(a) (1976). The extended renewal term applied to each of the Pooh Works.

To give "the author or the dependents of the author . . . a chance to benefit from the extended [renewal] term," the statute included a new "termination" option. H. Rep. at 140; S. Rep. at 123; *see* 17 U.S.C. § 304(c). This enabled the author and the author's heirs to terminate certain subsisting grants of rights under copyright made by the author or his heirs *before* January 1, 1978. As Congress explained, "[a] provision of this sort [was] needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work's value until it has been exploited." H. Rep. at 124; S. Rep. 108. The goal was to give authors and their descendants "the right to renegotiate" their prior transfers of rights under copyright made when the true value of the works was unknown. Supplementary Register's Report on the General Revision of U.S. Copyright Law at 72 (1965) (hereafter "Supp. Reg. Rep.").

The termination provision was not one-sided; rather, it reflected "a practical compromise that [would] further the objectives of the copyright law while recognizing the problems and legitimate needs of all interests involved," H. Rep. at 124; S. Rep. at 108, and created "a practical benefit for authors and their families without being unfair to publishers, film producers and other users." Supp. Reg. Rep. at 72. Accordingly, the statute makes very clear that termination under Section 304(c) is not automatic but merely an "option" available under specified circumstances and only where certain formalities are observed. Wm. F. Patry, *Latman's The Copyright Law* 109 (6th ed. 1986). It therefore includes certain built-in limitations. For example, it applies only to *subsisting grants* of copyright *"executed before January 1, 1978"* and excludes from termination grants made "by will" and grants relating to "works made for hire." 17 U.S.C. § 304(c) (emphasis added). Also protected from statutory termination are

trademark rights and foreign copyrights, as well as the right to exploit derivative works created under authority of the original grant. 17 U.S.C. § 304(c)(6)(A), (E).

Congress also created a separate termination provision applying to grants of rights under copyright executed "on or *after* January 1, 1978," which, like Section 304(c), gives an author or his family a chance to negotiate a better deal at a time when the true value of the copyrighted work can be assessed. 17 U.S.C. § 203 (emphasis added). Unlike Section 304(c), however, Section 203 permits termination only of grants "executed by the author." *Id.* Thus, any post-1978 grant in a work made by a person other than the author is not eligible for termination under either provision.

The 1983 Agreement: Under Section 304(c), Christopher Milne could have served notices of termination relating to grants of rights under copyright in every one of the Pooh Works as early as January 1, 1978 (*i.e.*, the effective date of the 1976 Act), with effective termination dates in the early 1980s. *See* App. 6a, 16a.

Faced with the possible statutory termination of the rights under copyright that Disney had received in the Pooh Works from A.A. Milne's estate and Slesinger, and to resolve certain disputes relating to Disney's accountings, *Disney* proposed that the parties enter into new agreements under which, among other things: the parties' disputes would be resolved; the agreements granting rights from A.A. Milne to Mr. Slesinger in the 1930s and from Slesinger to Disney in 1961 would be revoked by mutual agreement; the Trust beneficiaries would make a new grant of rights to Slesinger, who would in turn grant rights to Disney; and the royalty rates to be paid to Slesinger and the Trust beneficiaries would be renegotiated such that the Trust beneficiaries received twice the share of the royalties relative to Slesinger based on all categories of rights worldwide in the original Pooh Works, not just U.S. copyright rights. App. 6a.

In connection with the proposed agreement, Disney obtained a detailed opinion letter by the late copyright treatise author Professor Melville Nimmer (the "Nimmer Opinion") and provided the Nimmer Opinion to Slesinger, the Trustees, and the other concerned parties to encourage their participation.[4] **ER** 48-50, 397-99. The Nimmer Opinion concluded that this type of arrangement would be valid and result in a new grant of rights under copyright from the Trust beneficiaries to Slesinger and from Slesinger to Disney that "would not be subject to termination provisions of the Copyright Act," Sections 304(c) or 203. **ER** 48-50.

Christopher Milne accepted Disney's proposal. Thus, instead of serving notices of termination, and waiting two years before regranting the rights, *see* 17 U.S.C. § 304(c)(6)(D), he took advantage of the bargaining power conferred by the termination right in a different way: by entering into a new, more lucrative and immediately effective deal with Slesinger and Disney. This new arrangement applied not only to the rights under U.S. copyright that Christopher Milne could have terminated under Section 304(c); rather, it doubled the Trust beneficiaries' share of royalties relative to Slesinger's royalties with regard to *all rights* granted under the 1930s Agreement, including valuable trademark rights, worldwide merchandising rights, derivative work rights, foreign copyright rights, and purely contractual royalty entitlements, which Christopher Milne could not have terminated by statute.[5] 17 U.S.C. § 304(c)(6)(A), (E); *see* App. 6a-7a, 60a-62a.

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4. Petitioner cites no support for her claim that it was Slesinger, rather than Disney, who invited the Trustees to enter into the 1983 Agreement. Pet. 6-7. She did not make any such argument below and should not be permitted to advance it here, particularly where there is no evidence of this in the record and, in fact, it is not true. *See* App. 6a. Petitioner's failure to cite *any record evidence* for most of her fact statement shows a desire to hide the true, undisputed facts from this Court.

5. In fact, had Christopher Milne chosen to recapture solely terminable copyright rights, all these other rights would have endured notwithstanding, as would the be the case today even if Petitioner's Termination Notice were valid. 17 U.S.C. § 304(c)(6)(A), (E).

Although Petitioner did not herself sign the agreement, she was in effect a party to it by virtue of her status as a beneficiary of the Trust, whose Trustees executed the agreement on her behalf in accord with their fiduciary duty to her. App. 59a, 60a, 71a. Moreover, her interests were well looked after: not only did her father sign the agreement, but so did her Receiver at the time, Michael Brown, who also served as her father's lawyer and as the Trust's "Milne Trustee" and Chairman.[6] App. 71a; **ER** 361 ¶ 6, 365 ¶¶ 2-3. In any event, given that the decrease in Slesinger's royalties and the concomitant increase in royalties payable to the Trust beneficiaries under the 1983 Agreement already have amounted to hundreds of millions of dollars, Petitioner, an undisputed "prime beneficiary" of the Trust, has profited greatly.[7] App. 6a-7a.

***The New Termination Provision in the Copyright Term Extension Act of 1998* (the "CTEA"):** In 1998, Congress amended the Copyright Act to extend the renewal term of subsisting copyrights by another 20 years. In Section 304(d) of the CTEA, Congress included a new termination provision. 17 U.S.C. § 304(d)(1). As is true of Section 304(c), the Section 304(d) termination option is not unlimited or automatic. Of particular relevance here, Section 304(d) again provides a right of termination only with respect to subsisting grants "*executed before January 1, 1978.*" 17 U.S.C. § 304(d) (emphasis added). Since the only pre-1978 grant of U.S. copyright to Slesinger – *i.e.*, the grant embodied in the 1930s Agreement – already had been terminated (along with the rest of the 1930s Agreement) by the 1983 Agreement long before the CTEA was enacted, the CTEA never conferred any termination right on Petitioner with respect to any grant of rights to Slesinger.

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6. Because of Michael Brown's appointment as Receiver to Petitioner his actions required express approval by the United Kingdom Court of Protection. **ER** 361 ¶ 5.

7. Petitioner claims there is no evidence in the record that she was a trust beneficiary (Pet. 12 n.7), yet the Ninth Circuit clearly recognized her beneficiary status as an undisputed fact (*see, e.g.*, App. 6a-7a, 13a-14a, 17a and 19a), and Petitioner's counsel effectively has conceded this point by failing to deny such an interest at any time below or even in the Petition.

The Termination Notice and Commencement of this Action: After profiting for nearly two decades from the increased royalties under the 1983 Agreement, Petitioner sought below to pretend that the agreement never happened. At Disney's urging, Petitioner served a notice of termination (the "Termination Notice") on November 4, 2002, purporting to terminate under Section 304(d) the grant of rights under U.S. copyright to Slesinger in the *already revoked* 1930s Agreement. (She did not attempt to terminate the 1983 Agreement or A.A. Milne's bequest to the Trust.) The same day Petitioner served the Termination Notice, she entered into a contract with Disney purporting to assign to Disney whatever rights would revert to her on the putative effective date of the Termination Notice. Under their agreement, Disney also agreed to fund this litigation in its entirety for Petitioner. App. 7a n.5.

The day after she served the Termination Notice,[8] Petitioner, joined by Disney, commenced this action, seeking, *inter alia*, a declaration that the Termination Notice terminates the grant of rights to Slesinger in the 1930s Agreement and that, upon such termination, Disney's royalty obligations to Slesinger under the 1983 Agreement would end. **ER** 7, 116-24.

Discussion of Opinions Below

District Court: Upon cross-motions for summary judgment, the district court granted Slesinger's motion for judgment on the pleadings, holding that Petitioner's Termination Notice was not valid because the parties to the 1983 Agreement already had revoked the 1930s Agreement containing the grant that Petitioner's Termination Notice purported to terminate. The court further held that the only extant grant to Slesinger of rights in the Pooh Works was embodied in the 1983 Agreement, which is not subject to termination under Section 304(d) because that section provides a right of termination only with respect to grants of copyright "executed before January 1, 1978." App. 28a-29a.

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8. Petitioner's claim that she and Disney commenced this litigation upon Slesinger's objection to the Termination Notice (Pet. 8-9) is false. *See* App. 7a.

Court of Appeals: In a unanimous decision, a panel of the Ninth Circuit (Wallace, Silverman & Callahan, JJ.) affirmed. The court began its analysis by noting that Section 304(d) "provides a termination right to only those transfers or licenses 'executed *before* January 1, 1978[.]'" App. 10a. Since "the only pre-1978 grant of rights to Slesinger" – the grant in the 1930s Agreement – "was terminated by the beneficiaries of the Trust upon the execution of the 1983 agreement . . . , there was no pre-1978 grant of rights to Slesinger in existence when Congress enacted the CTEA in 1998." *Id.* And Petitioner could not terminate the grant to Slesinger in the 1983 Agreement "because it was not 'executed before January 1, 1978,' as the statute expressly requires." *Id.* (quoting 17 U.S.C. § 304(d)).

The court then addressed Petitioner's claim that the 1983 Agreement should nonetheless be regarded as a prohibited "agreement to the contrary" under Section 304(c)(5) of the Copyright Act, which states that "[t]ermination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant." The court found that neither the text of Section 304(c)(5) (App. 11a), the cases cited by Petitioner (App. 11a-13a), nor the relevant legislative history of the termination provisions (14a-17a) supported Petitioner's view that the 1983 Agreement is a prohibited "agreement to the contrary." Rather, the court found that the 1983 Agreement was of "the type expressly contemplated and endorsed by Congress" in the legislative history of the termination provisions. App. at 16a; *see id.* at 15a (citing H. Rep. at 127).

Next, the court of appeals rejected Petitioner's claim "that judicial recognition of the 1983 agreement 'would provide a blueprint by which publishers could effectively eliminate an author's termination right" (App. 16a (citation omitted); *see* Pet. 27) for two reasons: first, Petitioner failed to provide any evidence that Congress intended the termination provisions to prevent parties to a grant from mutually terminating the grant by contract and simultaneously making a new, more advantageous grant, and second, "the 1983

agreement resulted in an increased royalty stream to the author's heirs – the very result envisioned by Congress when it enacted the termination provisions." App. 17a.

Finally, the court of appeals rejected Petitioner's contention that the 1983 Agreement cannot be given effect because there was no "moment of freedom" between the time that the Trustees revoked the 1930s grant and entered into a new grant of rights to Slesinger. Petitioner had urged the court to find that Section 304(c)(6)(D) of the Copyright Act, which legislates the proper timing of a new grant when the old grant is terminated *by statutory notice*, also should legislate the proper timing of a new grant when the old grant is terminated *by contract*. This argument was based on Petitioner's contention that the timing mechanism of Section 304(c)(6)(D) is intended to protect authors and their heirs. The court of appeals was unpersuaded, noting that (i) the timing prescription of Section 304(c)(6), which prohibits the exerciser of a statutory termination right from agreeing to make a new grant to anyone other than the original grantee for at least two years after serving the termination notice, is intended to protect licensees – like Slesinger – not authors or their heirs, and (ii) there is no indication in Section 304(c)(6)(D), or anywhere else in the statute, that Congress intended such timing mechanism to apply to anything other than a statutory termination, which is not present here. App. 17a-19a.

Petitioner's requests for rehearing and for *en banc* review were denied without comment. App. 33a.

REASONS FOR DENYING THE PETITION

The Ninth Circuit's decision is correct. Section 304(d) expressly provides a limited right of termination only for existing pre-1978 copyright grants and there is no existing pre-1978 grant to Slesinger of rights in the Pooh Works for Petitioner to terminate. This fundamental and long-recognized principle was reflected in Professor Nimmer's 1982 opinion given to the parties to the 1983 Agreement. **ER** 48-50. The decision below also is supported by the applicable legislative

history, in which Congress specifically stated that the termination provisions were not intended to "prevent parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one. . . ." H. Rep. 127; S. Rep. at 111.

Moreover, the decision supports the policy behind the termination option by recognizing that termination by contract is an alternate way for authors' heirs to capitalize on the increased bargaining power conferred by the statutory termination provisions at a time when the value of a work can be fully assessed and that power can be freely exercised. The court of appeals upheld actions taken *by* the family and *for* the family, not by and for any third party. No repeat of *Fred Fisher* is involved.

There also is no meaningful conflict among the courts of appeal. Petitioner's attempt to fabricate a conflict by avoiding the record below and reinventing the facts, and by distorting the legal analysis of two Second Circuit decisions, only reinforces that the decision below is limited to its own particular facts and does not require review by this Court.

Finally, Petitioner's prognostication that the decision below will have a broad, negative effect on the termination option afforded to authors and their heirs is unfounded. The decision below turned on application of Section 304(d) to the unique facts of this case—including, in particular, the interrelation of the author's family and the author's testamentary trust—and therefore is not likely to affect persons other than the parties.

I. THERE IS NO NEED TO REHEAR THE WELL-REASONED DECISIONS OF THE DISTRICT COURT AND COURT OF APPEALS

1. Petitioner's claim of entitlement to a right of termination under Section 304(d) of the Copyright Act is unfounded. She concedes, as she must, that Section 304(d) permits termination only of copyright grants "executed before January 1, 1978."

Pet. 6 n.3, 25. But as the district court and the court of appeals each recognized, if there is no existing pre-1978 grant in a work, Section 304(d) does not apply, and no termination right is provided to Petitioner thereunder.

Here, the only pre-1978 grant of rights to Slesinger, and the only grant specified in Petitioner's Termination Notice (**ER** 120-21), was the grant in the 1930s Agreement. The undisputed facts establish, however, that the 1930s Agreement expressly was revoked by the beneficiaries of the Trust—who, by A.A. Milne's will, both owned the rights under copyright in the Pooh Works and were the successors to A.A. Milne's rights under the 1930s Agreement. **ER** 210 ¶ 1. Because there was no pre-1978 grant of rights to Slesinger in existence when Congress enacted Section 304(d) of the CTEA in 1998, that statute never gave Petitioner any right of termination with respect to any grant of rights to Slesinger. Accordingly, Petitioner's Termination Notice, which purports to exercise a right of termination under Section 304(d), is invalid and without legal effect.

2. Petitioner does not contest that in 1983 the Trust beneficiaries validly revoked the 1930s Agreement under state law. Rather, she argues that the state law of contracts should be ignored because if the 1983 contractual revocation of the 1930s Agreement is recognized, she will not receive an opportunity to terminate the 1930s Agreement *by statute* in disregard of Congressional policy, which Petitioner believes to *guarantee* the availability of a statutory termination right in all circumstances. Pet. 12-14.

As evidence of this supposed Congressional policy, Petitioner points to this Court's general description of the termination right as "inalienable" in *Stewart v. Abend*, 495 U.S. 207 (1990), and *New York Times Co. v. Tasini*, 533 U.S. 483 (2001). *See* Pet. 14. But these cases do not help Petitioner. Neither case required the Court to interpret the termination provisions, much less the circumstances under which a right of termination exists; in each case, the Court mentioned the

termination provisions in *dicta*, solely to provide background or for purposes of addressing other issues.[9]

Moreover, one cannot "alienate" something that never came into existence. The Court's general references to termination rights as "inalienable" only serve to describe the character of the right once it is found to be possessed.[10] But the statute clearly envisions scenarios under which there will be no termination right—such as where the grant sought to be terminated was made "by will," relates to a "work made for hire," or, as here, falls outside the statutory time period making it ineligible for termination. 17 U.S.C. § 304(d); *see also id.* §§ 203(a), 304(c). Since there was no extant pre-1978 grant to Slesinger at the time when Congress enacted Section 304(d), Petitioner never owned any right of termination thereunder. And because she never owned any termination right in the first place, she cannot claim such nonexistent right was "alienated" by operation of the 1983 Agreement in contravention of some principle of inalienability.

3. Petitioner attempts to overcome logic by claiming that the Ninth Circuit's decision allowed an agreement by the

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9. *See Tasini*, 533 U.S. at 489, 495 n.3 (addressing whether electronic databases containing articles from periodicals were "revisions" of collective works under 17 U.S.C. § 201(c); mentioning Section 203 termination provision in general discussion of Congress's intent in passing 1976 Copyright Act); *Stewart*, 495 U.S. at 211, 230 (addressing whether under 1909 Act, derivative work [motion picture] owner retains right to exploit such work when renewal copyrights in underlying literary work revert to deceased author's statutory successors; mentioning Section 203 termination provision to show "difficulties Congress faces" attempting to circumscribe copyright term).

10. The *dicta* cited by Petitioner refer to the not-surprising proposition, inapplicable here, that a *vested* termination right cannot be bought or sold or transferred. *Black's Law Dictionary* at 759 (6th ed. 1990) (defining "inalienable" to mean "[n]ot subject to alienation; the characteristic of those things which cannot be bought, sold or transferred from one person to another"); 17 U.S.C. § 101 (Def. of "transfer of copyright ownership" includes "alienation"). Here, there was no vested termination right, and no termination right of Petitioner was ever sold or transferred by her or anyone else.

Trust—which Petitioner repeatedly describes as a "third party" (Pet. 13, 15, 24), despite the fact that she was a Trust beneficiary and has profited greatly from its actions on her behalf—to "nullif[y] in advance" her termination right under Section 304(d). Pet. 15. According to Petitioner, this conflicts with the Congressional policy of ensuring that the termination provisions benefit the author's family. *Id.* This is a tortured argument if there ever was one, and it fails for several reasons.

First, to suggest that a trust is a stranger to its beneficiaries is preposterous. The notion that there is some kind of rift or conflict between the Milne family and the Trust is a complete work of fiction concocted for the first time in the Petition. The undisputed and indisputable facts prove that the Milne family and the Trust created by A.A. Milne are and always have been closely related, and that the Trust benefited the author's widow, his only child, and then his granddaughter, Petitioner, in succession. *See* n.3 at p. 4, *supra.* The undisputed facts also show that the author's son Christopher handpicked his own lawyer, Michael Brown, to serve as the "Milne Trustee" of the Trust; that Brown also served as Trust Chairman and as Petitioner's Receiver from shortly before the 1983 Agreement through 2002; that Brown was replaced as Petitioner's Receiver only because he retired; and that his replacement, Petitioner's current Receiver, is another lawyer at the firm that Brown co-founded—a firm that not only represented Christopher Milne in connection with the 1983 Agreement, but also represents the Trust in its dealings with Disney.[11] **ER** 90-91, 101, 361, 365 ¶¶ 2-3, 5. At all times, the Trustees owed a fiduciary duty to various members of the Milne family who participated in the Trust, including most recently, Petitioner. For Petitioner to suggest now that the Trust acted as Slesinger's "ally" in a conspiracy to "eliminate any termination rights belonging to

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11. The firm's web site lists "acting for the Pooh Trustees in the sale of the rights in the literary works of A.A. Milne to Disney" among its "high-profile matters." *http://www.bcmw.co.uk/index.cgi?template=aboutusmain.html&name=ourexperience.html* (May 17, 2006).

[A.A. Milne's] family" (Pet. 7, 15-16) is nothing short of ridiculous.[12]

Second, the Trust's actions were entirely consistent with Section 304(d) of the Copyright Act, which provides that grants of rights under copyright "by will" are *not* subject to termination. 17 U.S.C. § 304(d). The obvious reasons for this exclusion are that (i) the decision reflected in an author's will is not a transaction depending on his bargaining position and typically is made some time after he has gained an appreciation for the value of his work, and (ii) Congress recognized that authors should play a key role in providing for their families through their wills. Here, it is undisputed that A.A. Milne effected a valid bequest of his rights under copyright in the Pooh Works to the Trust by will. Pet. 18; **ER** 5 ¶ 15, 135 ¶ 12. This transfer of ownership of A.A. Milne's copyright rights to the Trust cannot be terminated.[13] 17 U.S.C. § 304(c). As the designated beneficiaries of copyright rights in the Pooh Works under A.A. Milne's will, the Trust unquestionably had the power to enter into contracts relating to such rights, including, *inter alia*, to revoke the 1930s Agreement mutually with Slesinger and to enter into a far more lucrative agreement for regranting the rights at issue. Any argument that they lacked such capacity here would make meaningless the statutory exemption for transfers "by will."

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12. There is no evidence that Petitioner ever complained to, or sought to take any action against, any of the Trustees for their actions relating to the 1983 Agreement. Indeed, Michael Brown – who at the time of the 1983 Agreement was Petitioner's Receiver and the Trust's Chairman and Milne Trustee – submitted a declaration on Petitioner's behalf in this litigation. **ER** 361, 365. In any event, this certainly would not be the proper forum or time for Petitioner to raise such a claim.

13. Petitioner tacitly acknowledged this fact by not serving notice of termination on the Trust. Although she claims to have "notif[ied] Slesinger, Disney *and the Trust* that she was terminating her grandfather's 1930 license to Slesinger," (Pet. 3 (emphasis added)), this is false, as the Termination Notice is addressed only to Slesinger and Disney. **ER** 120-21; *see* App. 7a.

Third, Petitioner's complaint about the actions of the Trust ignores the fact that her father, Christopher Milne, was a key participant in the 1983 Agreement.[14] This alone should destroy any suggestion by Petitioner that the 1983 Agreement is evidence of a supposed conspiracy between the Trust and Slesinger to eliminate her family's right (if it ever were to possess such a right) to terminate a grant of rights to Slesinger in derogation of any Congressional policy.

Finally, Petitioner's policy argument also fails because, as the courts below each held, the 1983 Agreement actually *furthered* the policy behind the termination provisions–*i.e.*, to improve the "bargaining position of authors" by giving them a second chance to negotiate more advantageous grants in their works after the works have been sufficiently "exploited" to determine their "value." H. Rep. at 124; S. Rep. at 108; Supp. Reg. Rep. at 72. These goals were accomplished by the 1983 Agreement. By 1983, Christopher Milne and the Trust were able to appreciate and assess the true market value of the renewal copyrights in the Pooh Works. Armed with this knowledge, Christopher Milne took advantage of the increased bargaining power that Congress conferred on authors and their heirs when it enacted Section 304(c). But instead of seeking to enrich himself by serving a notice of termination that would recapture the copyright to the Pooh Works under the statute, he chose to leverage this bargaining power to obtain a better deal for his father's testamentary trust, of which his daughter, Petitioner, was a direct beneficiary.

By virtue of Christopher Milne's decision, the Trust with Petitioner as a "prime beneficiary" has reaped hundreds of millions of dollars in increased royalties that it would not have

14. Petitioner's suggestion that Christopher Milne was something less than a party to the 1983 Agreement (Pet. 7-8, 18) was rightly rejected by the courts below and should be disregarded here. He is identified as a party to the agreement (*see* App. 59a, 1st Para.) and like the Trustees, Slesinger and Disney, he "executed" it. App. 70a.

received but for the 1983 Agreement. *See* App. 6a-7a.[15] As the court of appeals recognized, this is "the very result envisioned by Congress when it enacted the termination provisions." App. 17a.

4. Petitioner claims that "the Ninth Circuit's reasoning fails to give effect to Congress's directive that family termination rights must prevail over 'any agreement to the contrary,'" citing Section 304(c)(5) of the Copyright Act.[16] Pet. 17. But this is an incomplete, self-serving description of Section 304(c)(5).

What Section 304(c)(5) actually provides is that "[t]ermination of *the grant* may be effected notwithstanding any agreement to the contrary. . . ." 17 U.S.C. § 304(c)(5) (emphasis added). As the emphasized language indicates, there first must be an eligible, pre-1978 "grant" under Section 304(d) before the "agreement to the contrary" language of Section 304(c)(5) comes into play. Where, as here, there is no existing pre-1978 grant of rights, there is no right of termination under Section 304(d), and Section 304(c)(5) does not apply. Petitioner's argument, which puts the "agreement to the contrary" cart before the pre-1978 "grant" horse, makes no sense. Nothing in Sections 304(d) or 304(c)(5), or any other subsection of the termination provisions, requires courts to resurrect mutually revoked grants just so there will be a right of termination; rather, it is the other way around – there is no right of termination unless there is an existing eligible grant.[17]

Under Petitioner's view of Section 304(c)(5), if the conditions Congress prescribed for the existence of a

15. Petitioner's speculation that the Ninth Circuit's decision would permit a licensee and a third party "to preclude the family's exercise of any termination rights by agreeing to a minimal revision of the original license for consideration of a peppercorn" (Pet. 16-17) is completely divorced from the undisputed facts of this case.

16. Section 304(d) incorporates Section 304(c)(5) by express reference. *See* 17 U.S.C. § 304(d)(1).

17. Petitioner conceded as much in the Ninth Circuit, arguing that "*when a right to terminate a grant exists*, that right may be exercised notwithstanding any agreement to the contrary." Appellant's Reply Br. at 5-6, *Milne v. Stephen Slesinger, Inc.*, No. 04-57189 (9th Cir.) (emphasis added).

termination right under Section 304(d) do not come into being, there must a prohibited "agreement to the contrary" lurking in the shadows. But this interpretation of Section 304(c)(5) cannot be correct, for it would render a nullity the other conditions of Sections 304(c) and 304(d), including the conditions excluding from termination grants by will or in works made for hire and limiting the termination right to existing pre-1978 grants. *Cf. Flint Ridge Dev. Co. v. Scenic Rivers Ass'n of Oklahoma*, 426 U.S. 776, 791 (1976) (rejecting reading of Interstate Land Sales Full Disclosure Act that would render statutory condition "little more than a nullity").

Indeed, Petitioner admitted below that certain grants are "outside the termination framework. . . ." Appellant's Reply Br. at 6, *Milne v. Stephen Slesinger, Inc.*, No. 04-57189 (9th Cir.). She also conceded that there are legitimate agreements under state law that would be enforceable even if they resulted in an author's family member not possessing a termination right. In direct contradiction to the absolutist view she presses in the Petition, Petitioner admitted that a party's "true rescission of a [pre-1978] copyright grant" followed by a new post-1978 grant after a "'moment of freedom'" would be enforceable because it "'would fulfill the statutory purpose of giving the grantor at least one chance to revoke the grant,'" even if the author's family was left with no termination right.[18] Memorandum of Plaintiff Clare Milne in Opposition to Motion to Dismiss at 13, *Milne v. Stephen Slesinger, Inc.*, No. CV-02-08508 (C.D. Cal.) (citation omitted). For nearly 30 years the *Nimmer on Copyright* treatise has shared this view, App. 18a (citing 3 M. Nimmer, *Nimmer on Copyright* § 11.07 (6th ed. 1978)),[19] consistent with the Nimmer Opinion (**ER**50). And

18. Before the district court, Petitioner argued that the 1983 Agreement's simultaneous revocation and regrant of rights could not serve to revoke the 1930s Agreement *under state contract law* because there was no "moment of freedom" between the revocation of the prior grant and making of a new one. Memorandum of Plaintiff Clare Milne in Opposition to Motion to Dismiss at 13, *Milne v. Stephen Slesinger, Inc.*, No. CV-02-08508 (C.D. Cal.). But Petitioner waived this meritless state-law argument on appeal.

19. The Ninth Circuit's citation is to the comprehensive revision to the *Nimmer on Copyright* treatise as drafted by the late Melville Nimmer to (Cont'd)

there are countless other scenarios in which family members of authors of works will not possess a statutory right of termination as a result of agreements between authors or their descendants and third parties.[20]

Furthermore, although the phrase "agreement to the contrary" is not defined by the statute, the statute provides two narrow examples of agreements that would constitute an "agreement to the contrary": "an agreement to make a will"; and an agreement "to make any future grant." 17 U.S.C. § 304(c)(5). As the Ninth Circuit noted, the 1983 Agreement was a complete, prospective renegotiation of the parties' financial arrangement, in favor of the Trust and benefiting the author's granddaughter, Petitioner, and does not fall into or resemble either of the categories found in the statute. This supports a finding that the 1983 Agreement is *not* an

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(Cont'd)

discuss the 1976 Act (**ER** 104 ¶ 3), which is no longer available but is reproduced in the record at **ER** 111. The text of the treatise remained substantially the same for 27 years (**ER** 104 ¶ 3) until the current author of the treatise substantially revised the section on the termination provisions during briefing on this appeal before the Ninth Circuit. *See* 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 11.07 (Release No. 66, April 2005).

20. For example, if an author of a 1947 work died in 1975 before the renewal copyright term vested, and his son, who succeeded to ownership of the renewal term copyright, *see Stewart*, 495 U.S. at 221, assigned it to a publisher in 1979, the author's granddaughter never would have a statutory termination right even if the publisher released a blockbuster movie based on the work in 2005. *See* 17 U.S.C. § 203 (permitting termination only of grants "executed by the author"). Does this make the son's post-1978 assignment to the publisher an "agreement to the contrary" as "an advance waiver" (Pet. 19) of the granddaughter's putative Section 304(d) termination right? Of course not. Moreover, an independent contractor's post-1978 commissioned work can be "a work made for hire" only if there is a written agreement "that the work shall be considered a work made for hire." 17 U.S.C. § 101 (Def. of "work made for hire"). The effect of such an agreement is that the commissioning party, not the creator or the work, owns the copyright, 17 U.S.C. § 201(b), and there is no statutory termination right. *See* 17 U.S.C. § 203(a). But that does not make the work-for-hire agreement an "agreement to the contrary."

"agreement to the contrary." *See, e.g., Gustafson v. Alloyd Co.*, 513 U.S. 561, 575 (1995) (Court applies doctrine of *noscitur a sociis* – that a "word is known by the company it keeps" – to avoid "giving 'unintended breadth to the Acts of Congress'") (citation omitted); *Sutton v. Providence St. Joseph Med. Ctr.*, 192 F.3d 826, 834 (9th Cir. 1999) ("When a statute contains . . . specific items and a general item, we usually deem the general item to be of the same category or class as the more specifically enumerated items.").

As Petitioner conceded below, the legislative history of the termination provisions does not support Petitioner's interpretation of "agreement to the contrary," either. App. 15a-16a. Rather, it conclusively establishes that Congress did not intend to include agreements such as the 1983 Agreement within the meaning of "agreement to the contrary."[21] *Id.* Both the House and Senate Judiciary Committees in their final reports on the 1976 Copyright Act, using identical language, specifically stated that the termination provisions were *not* designed to "prevent parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one. . . ."[22] H. Rep. at 127; S. Rep. at

21. As Petitioner also conceded below (App. 14a.), reference to the legislative history is warranted because the statute does not define "agreement to the contrary" and the term is ambiguous. App. 11a, 14a; *accord Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 290 (2d Cir. 2002). Due to the unique 20-year drafting process that led to the 1976 Copyright Act, its legislative history has a special, judicially recognized status in interpreting the Act's meaning. *See, e.g., Cmty. For Creative Non-Violence v. Reid*, 490 U.S. 730, 743 (1989); *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 462 n.9 (1984) (Blackmun, J., dissenting).

22. Although this quote appears in the section of the legislative history regarding Section 203(a)(5), it applies with equal force to Section 304(c)(5), an identical provision. App. 15a n.9 (citing *Gustafson*, 513 U.S. at 570). As Professor Nimmer explained in his opinion letter to Disney, the legislative history of Sections 203 and 304(c) indicates that they should be read together. **ER** 49; *see* H. Rep. at 140 (Section 304(c) "closely parallels" Section 203); *cf.* Pet. 5 (the two termination provisions are "closely related"). Indeed, this Court has looked to Congress's statements in the legislative history regarding the "comparable" Section 203 to elucidate the purpose and meaning of Section 304(c). *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 173 n.39 (1985).

111. Moreover, both houses of Congress further stated that nothing in the termination provisions "is intended to change the existing state of the law of contracts concerning the circumstances in which an author may terminate a license, transfer or assignment." H. Rep. at 142; S. Rep. at 125. Accordingly, both houses of Congress anticipated that parties to a grant could choose, as an alternative to statutory termination, to revoke the prior grant *by contract* and replace it with a new grant.

This is precisely what Christopher Milne and the Trust beneficiaries did in 1983. Because the 1983 Agreement is of the type expressly considered and endorsed by Congress in its discussion of the termination provisions, it cannot possibly be considered a prohibited "agreement to the contrary" under Section 304(c)(5). *See* H. Rep. 127; S. Rep. at 111; *cf. Lodge 76, Int'l Ass'n of Machinists & Aerospace Workers, AFL-CIO v. Wis. Employment Relations Comm'n*, 427 U.S. 132, 156 (1976) (Powell, J., concurring) ("Except where Congress has specifically provided otherwise, the States generally should remain free to enforce, for example, their law . . . of contracts, and other laws reflecting neutral public policy.").

5. Petitioner's challenge to the result below boils down simply to her dissatisfaction with the conditions and limitations imposed by Congress. When Congress created the Section 304(d) termination right, it could have chosen to permit termination of any grant in pre-1978 works, *no matter when* the grant was made. Instead, it chose to limit the Section 304(d) termination right to grants "executed before January 1, 1978." Congress also could have extended the Section 203 termination right to permit termination of all post-1978 grants of rights in a work, *no matter who* made the grant. Instead, Congress limited termination under Section 203 to post-1978 grants made "by the author." Congress could have permitted authors' heirs to terminate *all transfers* of copyright, including transfers in the form of bequests. But Congress chose to insulate transfers "by-will" from termination. 17 U.S.C. §§ 203, 304(c), 304(d). Each of these conditions and limitations of the termination provisions resulted from years of intensive consideration by

Congress and are part of a carefully calibrated statutory scheme reflecting "a practical compromise" between the interests of authors or their descendants and the interests of grantees like Slesinger and testamentary heirs like the Trust beneficiaries. H. Rep. at 124; S. Rep at 108.

Clearly, Petitioner is unhappy with the version of the Copyright Act enacted by Congress. Perhaps her disagreements with the actions of the legislative branch give Petitioner grounds to lobby for change in the halls of Congress; but they do not provide a basis for this Court's judicial review of the Ninth Circuit's decision, which applied the law as it is written.

II. THE NINTH CIRCUIT'S DECISION DOES NOT CONFLICT WITH THE DECISION OF ANY OTHER COURT

Petitioner distorts the facts and legal reasoning of two Second Circuit decisions to try to persuade this Court that there is an inter-circuit conflict when in fact none exists. The actual decisions, rather than Petitioner's self-serving interpretation of them, show that no conflict exists among the courts of appeal that must be settled by this Court. Nothing in either of the cases cited by Petitioner gives any indication how the Second Circuit would rule if confronted with the same set of facts as those addressed by the Ninth Circuit below.

1. Petitioner's claim that the Ninth Circuit's decision below creates a conflict with the Second Circuit's decision in *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (1992) ("*Spier*") (Pet. 19), borders on the frivolous. In *Spier*, a songwriter assigned to a music publisher "the renewal copyrights" (among other rights) to five popular songs in 1951 in exchange for payment of royalties. *Id.* at 775-77. In 1965, fourteen years later, when the songs were in their renewal terms of copyright protection, he executed a will in which he purported to bequeath to the beneficiaries of a testamentary trust (including his mistress) the same renewal terms of copyright to the five songs that he already had assigned to the publisher. *Id.* at 776.

The songwriter died in 1972. In 1981, his surviving spouse and children served a notice of termination on the publisher seeking to terminate the assignment of the renewal copyrights in the five songs to the publisher under Section 304(c) of the Copyright Act. The publisher objected to the notice, arguing principally that the renewal copyrights were transferred "by will" to the testamentary trust and thus were exempt from termination under Section 304(c). *Id.* at 776. The district court agreed with the publisher, holding that because the songwriter *intended* to bequeath the renewal copyrights to the testamentary trust, the prior assignment of the renewal copyrights to the publisher—which paid royalties to the testamentary trust—could not be terminated. *Id.* at 777.

The Second Circuit reversed. Its holding, and the limitations thereof, could not be clearer: "*We hold only* that, in view of the unqualified and unambiguous language of the assignment agreement, [the songwriter] did not have any 'right under' the renewal copyrights remaining at the time he executed the Will." *Id.* at 777 (emphasis added). In other words, because the songwriter already had divested himself of any *copyright* interest in the works—by assigning them to the publisher in 1951—he had no rights under copyright to bequeath to the testamentary trust upon his death in 1972.[23] Therefore, the grant of rights under copyright in his will was completely illusory and the prior assignment of rights to the publisher was subject to termination. *Id.* at 777-78.

The Second Circuit's decision in *Spier* is easily reconciled with the Ninth Circuit's decision below. Unlike the testamentary trust in *Spier*, which received nothing "by will" under Section 304(c) because the author had divested himself of all copyrights in the work before his death, the Trust beneficiaries here were the undisputed recipients of A.A.

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23. The only right received by the testamentary trust under the songwriter's will was an entitlement to royalties from the publisher. As the Second Circuit noted, however, the right to receive royalties is not a right under copyright. *Spier*, 953 F.3d at 778 (songwriter's "right to receive part of the royalties does not negate the fact that he retained no interest in the renewal copyrights themselves").

Milne's valid and effective bequest of the renewal copyrights to the Pooh Works. App. 5a. Thus, "[t]he Trust . . .owned the copyrights."[24] Pet. 18. The bequest to the Trust, which is not subject to statutory termination under the termination provisions, gave the Trust beneficiaries the power to revoke A.A. Milne's prior license of rights to Slesinger and the right to make a new grant to Slesinger (or anyone else) in its place. *See* p. 16, *supra*. Thus, the expressly limited holding of *Spier* – that an author cannot bequeath rights that he already has assigned away – clearly has no application to this case.[25]

The Second Circuit in *Spier* went on to explain to the district court (in *dicta*) that the author's subjective intent to bequeath copyright rights could not override the termination right in Section 304(c) if the author did not own any copyright to bequeath upon his death. But nothing in *Spier* suggests that a *valid* bequest of copyright rights by an author who dies *possessed of the copyright* (like A.A. Milne here) would not be effective or would be subject to termination. To the contrary, in a passage of its opinion that Petitioner avoids, the Second Circuit expressly acknowledged that the Section 304(c) termination right must yield to a valid bequest of an author in his will where, as here in the case of A.A. Milne's bequest to the Trust beneficiaries, "the grant of copyright renewals was

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24. Petitioner's claim that "the Trust in this case is similarly situated to the testamentary trust and the mistress in *Spier*" (Pet. 21) is thus plainly wrong.

25. The decision in *Spier* is so far afield that Petitioner asks this Court to find a conflict based on an imagined "simple variant" of the facts in that case. Pet. 21. Under Petitioner's made-up facts, "the testamentary trust to which [the songwriter] bequeathed his copyrights agreed to 'revoke' [his] assignment of his copyrights to his publisher and to 'regrant' the same rights again to the publisher." *Id.* Petitioner restates this same fact pattern later in the Petition. Pet. 25 n.16. But there is no conflict even on Petitioner's hypothetical sets of facts: because the authors already had *assigned* the renewal copyright in their works to others before their bequests, the will beneficiaries never would have received any copyright rights from the outset. As takers of nothing from the will, the beneficiaries would not have any right to "revoke" the previously effectuated "assignment" or otherwise deal in the copyrights.

made *by will in the first instance*" – *i.e.*, effectuated before such rights were *assigned* to another party. *Spier*, 953 F.2d at 778 (emphasis added).

2. Remarkably, the Second Circuit's decision in *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002) – the other case Petitioner claims is in conflict with the Ninth Circuit's decision below – is even less apposite than *Spier*.

In *Marvel*, the alleged creator of the *Captain America* comic book series sought to terminate early-1940s assignments of copyright in the series to a publisher. *Id.* at 282, 284-85. The publisher's successor, however, alleged that in 1969, many years after the work's creation, the parties had contractually agreed to change the nature of the copyrighted work by stipulating that the work was a "work made for hire." *Id.* at 283-85. The effect of this after-the-fact label would have transformed the publisher/employer into the legal "author" of the work instead of the actual creator and foreclosed the creator's right to terminate the assignments in the work. *Id.*; *see* 17 U.S.C. § 304(c) (exempting "works made for hire" from termination).

The Second Circuit held, however, that the publisher could not rely on the work made for hire agreement because, under the 1909 Act, the determination whether a work is "for hire" must be based on the parties' "actual relationship" at the time of authorship, not on their contractual stipulations years later. *Marvel*, 310 F.3d at 291; *Donaldson Publ'g Co. v. Bregman, Vocco & Conn, Inc.*, 375 F.2d 639, 640-42 (2d Cir. 1967). Thus, in *Marvel*, the Second Circuit held that works not satisfying the relationship-based "for hire" test must remain as they are *ab initio*, notwithstanding any post-facto agreements that label them otherwise, and remanded the case for trial on the issue of whether the work was one made for hire, notwithstanding the stipulation to the contrary, made 19 years after the fact. *Marvel*, 310 F.3d at 291-92.

The Second Circuit went on to say (in *dicta*) that if the parties agreed that the work was made for hire when in fact it

was not, their agreement would qualify as "an agreement to the contrary" prohibited under Section 304(c)(5). But the court *did not hold* that the alleged grant from the author to the publisher was subject to termination. Rather, the court merely held that a trial was necessary to determine whether the work qualified as one made for hire, recognizing that if the 1909 work for hire test was met, the author's grant to the publisher would not be subject to termination under Section 304(c). *Marvel*, 310 F.3d at 292.

The unusual facts of *Marvel* have no relevance here. This case does not involve the "work made for hire" exception of Section 304(c) or even an after-the-fact attempt to recharacterize the prior ownership status of a work. Instead, it involves contractual provisions that operated *prospectively*: the revocation of an existing grant and the making of a new one on far more advantageous terms for the Trust beneficiaries, including Petitioner. App. 13a ("[I]t is important to note that the parties describe their 1983 agreement as a 'new agreement *for the future* which the parties believe would not be subject to any right of termination under 17 U.S.C. Secs. 203 or 304(c).'") (quoting 1983 Agreement). Moreover, as discussed above, the parties to the 1983 Agreement used a mechanism of contractual termination under state law that Congress expressly endorsed as an alternative to statutory termination. H. Rep. at 127; S. Rep. at 111. And unlike *Marvel*, in which there was a disputed issue of material fact as to whether the work in question was a work made for hire, there is no dispute in this case that the 1930s grant was revoked by contract.

Petitioner appears to believe that there is a conflict simply because the Second Circuit found one type of agreement may constitute a prohibited agreement to the contrary, while the Ninth Circuit found that an entirely different type of agreement is not an agreement to the contrary. In fact, there is no conflict that requires the attention of this Court.

III. THE NINTH CIRCUIT'S DECISION TURNED ON THE UNIQUE FACTS OF THIS CASE AND THUS WILL NOT HAVE THE BROAD IMPLICATIONS IMAGINED BY PETITIONER

Petitioner's prediction that dire consequences will result from the Ninth Circuit's decision (Pet. 24-28) is unfounded.

1. For example, Petitioner claims that the decision below threatens to "resuscitate" this Court's decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), and is "even worse than that decision" because it will permit "third parties" unrelated to the author's family to "contract away" the family's termination rights. Pet. 13, 27. Analysis of *Fred Fisher* as well as the facts of this case shows that this is not a valid concern.

The 1909 Copyright Act granted to authors an initial period of twenty-eight years of copyright protection, plus an additional twenty-eight years of protection if the copyright was renewed. In *Fred Fisher*, this Court held that the renewal term of copyright was assignable by an author during the initial copyright term, before the renewal right vested. 318 U.S. at 656-59. The ruling encouraged publishers to demand that authors assign to them both the initial and renewal copyrights in a work upon creation, which resulted in potentially permanent grants of copyright grants by authors made when the value of the work was not fully known and when the authors lacked bargaining power. *Fred Fisher* had nothing to do with testamentary dispositions.

To the extent that Congress sought, through enacting the termination provisions, to eliminate the vices of the renewal scheme of the 1909 Act that *Fred Fisher* enabled and "substitute for them a provision safeguarding authors against unremunerative transfers" made at the outset of their creations, H. Rep. at 124; S. Rep. 108, no such vices are implicated by the decision below. In this case, the 1983 Agreement did not require an author to contract away to a publisher his copyright rights upon creation of the work. Moreover, the decision to

revoke the prior grant was not made unilaterally by a third party unrelated to the author's family; it was made jointly by the author's son and the author's testamentary trust, which included Petitioner as its beneficiary. Moreover, the parties' 1983 Agreement came about *after* the author's son was empowered to exercise the right of termination and *after* he was able to assess the works' value due to more than five decades of exploitation. That is precisely why he was able to convince Slesinger to accept decreased royalties and to obtain an increased royalties stream for the beneficiaries of the family trust, including Petitioner. Thus, the opposite of what resulted from *Fred Fisher* occurred here: the author's family was able to revoke and greatly improve upon the terms of grant made by the author early in the life of the work. And they, including Petitioner, have benefited from the new arrangement ever since.

2. Petitioner claims that the decision below "undermines Congress's elaborately wrought framework for the exercise of the termination right" because it permits deviation from the timing mechanism set forth in Section 304(c)(6)(D), which Petitioner speculates is intended to ensure "the goal that the family members of authors will not find themselves prematurely deprived of their termination rights." Pet. 27. However, Section 304(c)(6)(D) sets forth the proper timing mechanism for new grants and agreements to make new grants only where the option to seek *statutory termination* under Section 304(c)(5) or Section 304(d) has been exercised. There is no suggestion *anywhere* that Congress intended this timing mechanism to apply where, as here, without the need of a notice of termination, parties revoke old grants and replace them with new grants under state contract law. App 18a. Moreover, the timing sequence provided for statutory termination in Section 304(c)(6)(D) is intended to benefit *original grantees*, not authors or their families. *Id.* (citing H. Rep. at 127). Thus, as the Ninth Circuit held, Petitioner's argument disregards the purpose of this provision and is untenable. *Id.*; *see also* p. 11, *supra*.

3. Finally, Petitioner appears to be concerned that other courts will apply the Ninth Circuit's decision haphazardly

where the unique facts of this case are not present. Pet. 24-26. But this Court should not grant the Petition based on Petitioner's guesswork as to how other courts may react to the different factual scenarios presented to them. Moreover, the only case cited by Petitioner to support this fear is the obscure, unpublished district court decision in *Classic Media, Inc. v. Mewborn*, CV 05-452 (C.D. Cal. Feb. 10, 2006). Pet. 26. That case not only presents a completely different fact pattern, but also provides a perfect example why this Court's review of the Ninth Circuit's decision is not warranted at this time, for Ms. Mewborn's *appeal* is now pending before the Ninth Circuit. *Classic Media, Inc. v. Mewborn*, Ct. of Appeals Dkt. No. 06-55385 (9th Cir.). Thus, contrary to Petitioner's claim that the *Mewborn* decision shows that a "parade of horrors" has begun to march, the decision shows only that the Ninth Circuit will have the opportunity to define the contours and application of its decision in this case and correct any error made by the district court interpreting it.

CONCLUSION

For the foregoing reasons, the Petition should be denied.

Respectfully submitted,

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IN THE

Supreme Court of the United States

CLARE MILNE, BY AND THROUGH
MICHAEL JOSEPH COYNE, HER RECEIVER,
Petitioner,

v.

STEPHEN SLESINGER, INC.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

SUPPLEMENTAL BRIEF FOR THE PETITIONER

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SUPPLEMENTAL BRIEF FOR THE PETITIONER

This brief is submitted pursuant to this Court's Rule 15.8, to bring to the Court's attention a new decision of the United States District Court for the Southern District of New York, and to respond to certain statements in respondent's supplemental brief.

A. The Recent Decision In *Steinbeck* Reinforces The Need For This Court's Review Of The Ninth Circuit's Decision

On June 8, 2006, after the reply brief was filed in this case, Judge Owen of the Southern District of New York issued a decision in *Steinbeck* v. *McIntosh & Otis, Inc.*, Nos. 04-CV-5490 & -6795 (RO), 2006 WL 1586547 (App., *infra*, 1a-14a). That decision—in reliance on the decision of the Second Circuit in *Larry Spier, Inc.* v. *Bourne Co.*, 953 F.2d 774 (2d Cir. 1992), and in conflict with the decision of the Ninth Circuit in this case—sustained the right of John Steinbeck's son and granddaughter under Section 304 of the Copyright Act, 17 U.S.C. § 304, to terminate grants from Steinbeck covering his most famous and important works. The district court in *Steinbeck* rejected contentions, very similar to those made in this case, that Steinbeck's statutory successors under 17 U.S.C. § 304(c)(2) had no termination rights to exercise because pre-1978 grants made by Steinbeck had been superseded by post-1978 agreements. The court also concluded that, even if those post-1978 agreements were intended to preclude the exercise of termination rights by Steinbeck's statutory successors, they were invalid as prohibited "agreement[s] to the contrary" under Section 304.

1. As pertinent here, the *Steinbeck* case involved an attempt by Steinbeck's son Thom and granddaughter Blake to recapture the copyrights in two sets of Steinbeck's works. In 1938, Steinbeck granted publication rights in several of his works, including *Of Mice and Men* and *The Grapes of Wrath*, to the predecessor Penguin Group (USA). App. 7a.

Separately, in the 1940's, Steinbeck made a grant of motion picture, radio, and limited publication rights in collections of his short stories, including *The Long Valley* and *The Red Pony*, to the predecessor of Paramount Pictures Corporation. *Id.*

In 2004, Steinbeck's statutory successors (his son and granddaughter) served notices on Penguin and Paramount, pursuant to Section 304, terminating Steinbeck's grants in those works. App. 7a. Penguin and Paramount each contended that the efforts of Steinbeck's descendants to terminate those grants were ineffective because of subsequent agreements that allegedly had the effect of precluding them from exercising their termination rights. The district court rejected those contentions.

In the Penguin case, the publisher argued that a 1994 agreement between Penguin and Steinbeck's widow, Elaine,[1] "cancel[led] and super[seded] the previous [1938] agreements ..., which effectively transform[ed] Steinbeck's pre-1978 grant into a 'new' grant of copyright, executed *on or after January 1, 1978*, and as such, is not subject to termination under Section 304." App. 9a (bracketing altered). This argument closely parallels the argument, made by respondent in this case and adopted by the Ninth Circuit, that the 1983 Agreement among respondent, Disney, and the Pooh Properties Trust canceled and superseded the 1930 Grant in the Pooh Works made by A.A. Milne to Stephen Slesinger, and thus left Milne's descendants with no pre-1978 grant or license to terminate pursuant to Section 304. Indeed, the 1994 agreement between Elaine Steinbeck and

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[1] Elaine, Steinbeck's third wife and surviving spouse, was not the mother of Thom or grandmother of Blake. App. 6a. Moreover, at Elaine's death, her asserted interests in Steinbeck's works passed to her own children, who were not descended from Steinbeck. App. 7a. Thus, the *Steinbeck* case presented a conflict between Steinbeck's descendants, who are vested by statute with the termination right, and individuals unrelated to Steinbeck, who had no interest in vindicating the family's termination rights.

Penguin, like the 1983 Agreement at issue in this case, effectively regranted much the same rights to the publisher, but for additional consideration. App. 8a.

In *Steinbeck*, however, the district court saw through this artifice, and concluded that Steinbeck's descendants retained the right to recapture the copyrights in Steinbeck's works pursuant to Section 304. As the court explained, "[t]o the extent the 1994 Agreement would strip Thom and Blake ... of their inalienable termination rights in the pre-1978 grants, it is void as an 'agreement to the contrary' pursuant to 17 U.S.C. § 304(c)(5)." App. 10a. The court further observed that "[a]ny interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest—Thom and Blake—in favor of Elaine's heirs must be set aside as contrary to the very purpose of the termination statute[.]" *Id.*

In the Paramount case, the movie studio argued that the termination rights of the Steinbeck descendants were precluded by a 1983 settlement agreement among Elaine, Thom, and Blake's father, John Steinbeck IV, that resolved a dispute among Steinbeck family members over royalties from Steinbeck's late works. "Disturbingly, the settlement agreement also purported to grant Elaine the exclusive right to exercise Thom and John IV's termination rights over the Steinbeck works." App. 13a. Although the district court ultimately concluded that the studio had abandoned that argument (App. 14a), it expressed no doubt that the 1983 settlement could not have validly precluded Steinbeck's descendants from exercising their termination rights: "Any portion of the settlement agreement which limits or extinguishes Thom's or Blake's statutory termination rights is invalidated as a statutorily-prohibited 'agreement to the contrary.'" *Id.*

2. The *Steinbeck* decision persuasively shows that Congress went to considerable lengths to make the termination rights of author's descendants "inalienable"—whether the supposed alienation is ratified by the author, the author's legatee by will (as in the Penguin case), or even by the au-

thor's statutory successors themselves (as in the Paramount case). This protection was deemed necessary to ensure that "a creator and/or his or her family [may] terminate—and recapture—rights previously granted others, allowing creators or their heirs appropriate reward for the artistic gifts to our culture." App. 2a.

As the *Steinbeck* court explained, "to protect this right and prevent creators or statutory heirs from contracting away, for whatever reason, this absolute right to 'recapture' for the years of extended protection any pre-1978 copyright grant, the statute declares void any contract the effect of which is in contravention of or which negates either of these termination rights." App. 5a (citing, *inter alia*, *Spier*, 953 F.2d at 778). As the court also noted, "[t]he inalienability of the Section 304(c) right has been recognized by the Supreme Court, the Second Circuit, and [the Southern District of New York] on myriad occasions." App. 2a (quoting, *inter alia*, *Stewart* v. *Abend*, 495 U.S. 207, 230 (1990), and *Spier*, 953 F.2d at 779-780). Thus, as the *Steinbeck* court correctly understood, (a) this termination right cannot be circumvented through devices such as a rescission-and-regrant-for-consideration (as was attempted both in this case and in *Steinbeck)* and (b) it is irrelevant whether an author's statutory successor might have received a benefit from an agreement intended to preclude the exercise of that termination right, for even the author's heirs cannot contract away their right to exercise their "absolute" termination rights under Section 304.

The *Steinbeck* decision also points out the recurring nature and importance of the questions presented in this case. The facts of *Steinbeck* (especially the Penguin case) and the issues presented by those facts are strikingly similar to this case. In each instance, it was argued that statutory termination rights had been nullified by a post-1978 grant that purportedly superseded a pre-1978 grant. In this case, the Ninth Circuit ruled that a rescission-and-regrant was effective to preclude the exercise of termination rights; in *Steinbeck*, the court ruled that such a device was not effective.

Equally important, the district court's decision in *Steinbeck* shows that the Ninth and Second Circuits are in conflict on that issue. At several points, the district court in *Steinbeck* relied on the Second Circuit's ruling in *Spier* to reach its conclusion that Steinbeck's statutory successors retained their termination rights. App. 2a, 5a. Thus, although respondent has argued that *Spier* only addressed a much narrower issue, the *Steinbeck* decision shows that district courts in the Second Circuit read *Spier* more broadly, as establishing the inalienable nature of statutory termination rights, notwithstanding "any contract the effect of which is in contravention of or which negates ... these termination rights." App. 5a. Thus, the *Steinbeck* decision reinforces that this Court's review of the Ninth Circuit's decision is warranted.

B. Respondent's Supplemental Brief Stresses A Distinction Without A Difference

Respondent has filed a supplemental brief in the guise of pointing out a supposed "misstatement" in petitioner's reply brief regarding A.A. Milne's 1930 Grant to Stephen Slesinger. That grant, according to respondent, "was *a license, not an assignment*." Resp. Supp. Br. 1. Respondent believes that this point serves to distinguish this case from the *Spier* case, in which the songwriter assigned his renewal copyrights to the publisher. *Id.*

The distinction that respondent stresses is without significance for this case. In 1930, Milne granted Slesinger the "*exclusive* right" to exploit the four Pooh Works in certain channels in the United States. C.A. E.R. 180 (emphasis added). Regardless of how copyright law in 1930 might have treated that instrument, the currently governing Copyright Act expressly equates assignments and exclusive licenses for present purposes. The Act in fact defines the term "transfer of copyright ownership" as

> an *assignment*, mortgage, *exclusive license*, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights com-

> prised in a copyright, whether or not it is limited in time or place of effect[.]

17 U.S.C. § 101 (emphasis added). Given that termination under Section 304 applies equally to any transfer (whether denominated assignment, license, or otherwise), the only purpose that respondent's supplemental brief serves is to highlight a distinction without a difference. *See* 3 *Nimmer on Copyright* § 10.02[A] (2006) ("An exclusive license, even if it is 'limited in time or place of effect,' is equated with an assignment[.]"); Ira V. Heffan, *Copyleft: Licensing Collaborative Works in the Digital Age*, 49 Stan. L. Rev. 1487, 1497 (1997) (1976 Copyright Act "makes little if any distinction between assignments and exclusive licenses").

Moreover, and contrary to respondent's implication (Resp. Supp. Br. 2), petitioner's reply brief did not suggest that the Pooh Properties Trust did not obtain any copyright interest by A.A. Milne's will. Rather, as the reply brief makes clear, this case and *Spier* are very similar in that, in each case, the author granted away certain rights, which the author's statutory successors attempted to recapture, notwithstanding the author's clearly expressed preference by will that someone other than those statutory successors should benefit from the copyright royalties. In *Spier*, the Second Circuit ruled that the statutory successors were entitled to exercise their termination rights under Section 304 in that circumstance. In the decision below, the Ninth Circuit ruled that the author's statutory successor had been deprived of her ability to exercise her termination rights. That direct conflict makes this case appropriate for this Court's review.

Respectfully submitted.

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JUNE 2006

APPENDIX

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

THOMAS STEINBECK, *et al.*,
Plaintiffs and Counterclaim Defendants,

NANCY STEINBECK,
Intervenor-Plaintiff,

v.

MCINTSH & OTIS, INC., *et al.*,
Defendants and Counterclaim Plaintiffs.

PENGUIN GROUP (USA) INC.,
Plaintiff,

v.

THOMAS STEIBECK, *et al.*,
Defendants.

Nos. 04-CV-5497 (RO) & 04-CV-6795 (RO)
June 8, 2006

OPINION & ORDER

OWEN, J.

Prior to the copyright law amendments taking effect in 1978, there were but two periods of copyright protection—the original period of 28 years, and a 28-year renewal, for a possible total of 56 years. In 1978, the copyright term was increased by 19 years, to a total of 75 years, and in 1998, 20 more years was added to that, for today a total of 95 years.

Given the said length of copyright protection, early in which young creators often less than advantageously con-

tract for long terms with publishers, etc., and it also being the way of the world that a number of such young composers, artists and authors, from time to time, such as John Steinbeck writing his first book in 1929, cannot predict the high stature they would attain,[2] and the popular prominence of their works in musical and literary consciousness—not to mention the eventual high financial rewards to them and their families their work can command, our copyright laws have come to recognize this, and accordingly, in the statute, provide opportunities for such a creator and/or his or her family to terminate—and recapture—rights previously granted others, allowing creators or their heirs appropriate reward for the artistic gifts to our culture.

There are two such "recapture" opportunities during a copyright's lifetime.[3] The first, Section 304(c) of the Copyright Act, grants creators of pre-1978 works or their statutory heirs,[4] an inchoate but inalienable[5] property right[6] to

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[2] Steinbeck was awarded a Pulitzer Prize and the Nobel Prize for Literature.

[3] A third possible mandatory event of return of the grant-if it can be so phrased-is if the creator dies while the copyright is in its first term. Under that circumstance, the right to future renewal does not follow his contractual or testamentary grant. Instead, the expectancy of the renewal rights automatically vests in statutorily enumerated categories of persons-who are *not* bound by the original disposition-according to the following hierarchy: "[1] the widow, widower, or children of the author, ... [2] the author's executors, if such author, widow, widower, or children are not living, or [3] the author's next of kin, in the absence of a will of the author." 17 U.S.C. § 304(a)(1)(C). *See also Stewart v. Abend*, 495 U.S. 207, 219-20 (1990). Thus, the additional years of protection provided by Section 304(a) represent a completely "new family property right" in pre-1978 works. *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 779 (2d Cir. 1992).

[4] *See* 17 U.S.C. § 304(a)(1)(C), discussed *supra*, and 17 U.S.C. §§ 304(c)(1), (c)(2), discussed *infra*, for the statute's categorical hierarchy of entitlement. *See also, Larry Spier*, 953 F.2d at 778; *Abend*, 495 U.S. at 218.

[5] The inalienability of the Section 304(c) right has been recognized by the Supreme Court, the Second Circuit, and this Court on myriad occasions. *See Abend*, 495 U.S. at 230 ("The 1976 Copyright Act ... provides an inalienable termination right."); *Larry Spier*, 953 F.2d at 779-80 (Section

"terminate" earlier grants of copyrights made before January 1, 1978 and to do so beginning 56 years after the copyright was first secured (i.e., upon expiration of both the original 28-year copyright term and the pre-1978 28-year renewal term). 17 U.S.C. § 304(c). Such termination right is optional-not mandatory or automatic-and can be exercised at any time during a five-year period beginning at the end of the said 56 year period, or on January 1, 1978 (the date of enactment of the statute extending the copyright protection term), whichever is later. 17 U.S.C. § 304(c)(3).[7] *See Music Sales Corp. v. Morris*, 73 F. Supp. 2d 364, 372 (S.D.N.Y.1999). Should the creator die, the statute transfers

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304(c) "was drafted so as to leave no doubt about the family's power to recapture the copyright."); *Fred Ahlert Music Corp. v. Warner/Chappell Music, Inc.*, 155 F.3d 17, 24 (2d Cir. 1998) (inalienability is "consistent with the general thrust of § 304, which is designed to protect the interests of authors and their heirs and to maximize their ability to exploit the value of their [works] during the extended renewal term."); *Morris*, 73 F. Supp. 2d at 372 ("unlike the renewal rights, the termination right is inalienable ... Congress resorted to the extraordinary measure of creating an inalienable right in order to ensure that the author's heirs would be able to terminate any contingent grants of renewal rights made during the author's lifetime."). Termination rights remain inalienable until they are exercised by service of a notice of termination. 17 U.S.C. § 304(c)(6)(B); *see also*, 17 U.S.C. § 304(c)(6)(D) (providing that "[a] further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination ... [or] after the notice of termination has been served ...").

[6] Because Section 304(a) established a completely new family property right in pre-1978 works, *see supra*, "[t]here are strong reasons for giving the author [and/or his statutory heirs] ... an opportunity to share in" the benefits of continued exploitation of such works by permitted the author or his family to terminate third party grants. *See House Report on the Copyright Act of 1976*, House Report No. 94-1476, p. 140 (1976).

[7] A notice of such termination must be served no more than ten or less than two years before termination is to be exercised. 17 U.S.C. § 304(c)(4)(A). Thus, under Section 304(c), a notice of termination may be served between 46 years and 59 years after the copyright was originally secured-a 13-year "window of opportunity"-with the rights that are to revert vesting in the owners of the termination interest on the date the notice is served. 17 U.S.C. § 304(c)(6)(B).

the termination to specific successor(s),[8] who, upon recapture thereupon possesses and may re-grant those rights. 17 U.S.C. § 304(c)(1), (c)(6). Termination rights vest on the date a notice of termination is served. 17 U.S.C. § 304(c)(6)(B), (C).[9] Once a prior grant of copyright is terminated, statutory heirs are free to grant these rights to whomever they desire, as such new grants fulfill the purpose of the termination right, which is to provide successors in interest with an opportunity to obtain the fair value of the work by negotiating new terms for previously granted rights once the work's true value has appeared. 3-11 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 11.01[A].

The second such termination right was created in 1998 as part of the Sonny Bono Copyright Term Extension Act (CTEA), which extended the copyright term by an additional twenty years, *see* 17 U.S.C. §§ 304(a), (b), and also gives creators or their survivors who did not exercise their termination rights the first time (i.e., 56 years after the copyright was first secured, *see supra*) a second opportunity

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[8] The deceased author's termination interest is owned, and may be exercised, by the following: (i) the author's widow or widower owns the author's *entire* termination interest; (ii) if the author leaves both a widow or widower *and* children or grandchildren, the widow or widower owns *one-half* of the author's interest, and the remaining half is divided per stirpes among the author's progeny; (iii) in the absence of a surviving widow or widower, the author's surviving children, and surviving children of any dead child of the author, own the author's *entire* termination interest, which is divided among them and exercised on a per stirpes basis; or (iv) in the event that none of the aforementioned heirs are living, the author's executor, administrator, personal representative, or trustee shall own the author's *entire* ~~termination~~ interest. 17 U.S.C. § 304(c)(2).

[9] *See Range Road Music, Inc. v. Music Sales Corp.*, 76 F. Supp. 2d 375, 377 (S.D.N.Y. 1999); *see also* 3-11 Nimmer on Copyright § 11.03[A][3] (stating that the class of recipients of the terminated rights is determined as of the date the termination notice is served).

to terminate during the five-year period beginning 75 years after the copyright came into existence. 17 U.S.C. § 304(d).[10]

To protect this right and prevent creators or statutory heirs from contracting away, for whatever reason, this absolute right to "recapture" for the years of extended protection any pre-1978 copyright grant, the statute declares void any contract the effect of which is in contravention of or which negates either of these termination rights. 17 U.S.C. § 304(c)(5).[11] *See, e.g., Morris*, 73 F. Supp. 2d at 372; *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 778 (2d Cir. 1992).

Pursuant to these provisions in the Copyright Act, in May and June 2004, the then-statutory heirs of John Steinbeck—son Thom and granddaughter Blake—served five "Notices of Termination" on various third parties which purported to terminate pre-1978 grants of copyrights John Steinbeck made to those third parties in accordance with 17 U.S.C. § 304(c) and (d). The parties have filed cross motions for summary judgment as to the validity of these notices, and the above-captioned actions are joined for this purpose only.[12]

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[10] Section 304(d) applies to copyrights in their renewal term on the effective date of the CTEA-October 27, 1998—for which the termination right under Section 304(c) had expired by that date, and as to which the author or the owner of the Section 304(c) termination right has not previously exercised the right. A notice of termination under Section 304(d) must be served no more than ten and not less than two years before termination is to be exercised—i.e., no earlier than 65 years, and no later than 78 years, after copyright was originally secured.

[11] This statutory prohibition is intended to be broadly applied to invalidate such unlawful contracts and liberally protect termination rights. *See Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002); *Larry Spier, supra*; *Morris, supra*. Indeed, copyright termination abrogates freedom of contract in two ways: it allows for the invalidation of the original contractual transfer, and it abrogates subsequent attempts to contract around the termination right it creates. 17 U.S.C. § 304(c), (c)(5)

[12] Summary judgment is appropriate when there are no genuine issues of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). To satisfy its burden under Rule 56(c), the movant must show that the record raises no genuine issue of

Turning to the facts here, when John Steinbeck died in 1968, his third wife, widow Elaine, inherited his copyrights in his early works[13] under the residuary clause in Steinbeck's will. However, with respect to these works, as well as those that entered their renewal period after Steinbeck's death,[14] his two sons from his second marriage—Thomas Steinbeck and John Steinbeck IV—though inheriting no interest in the copyrights under their father's will, nevertheless became possessed of a 50% share of the copyright termination interest in each work pursuant to Section 304(c)(2)(B), quoted *supra*, which states that a deceased author's entire termination interest is to be divided, 50% to his widow and 50% to his children [and grandchildren]. 17 U.S.C. § 304(c)(2)(B). Since, however, to exercise a termination right requires a simple majority of the possessors, this meant here that, Elaine and the children being in disagreement, no termination right could be exercised, as neither side had 51%.[15] John

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material fact for trial. *Brink v. Union Carbide Corp.*, 41 F. Supp. 2d 406, 413-14 (S.D.N.Y. 1999); *see also Goenaga v. March of Dimes Birth Defects Foundation*, 51 F.3d 14, 18 (2d Cir. 1995); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247–48, 252 (1986).

[13] Steinbeck's "early works" are those whose renewal term of copyright (i.e., after the first 28 years of copyright) became due in the course of his lifetime, and for which he filed renewal registrations. Specifically, Steinbeck renewed: *Cup of Gold* (© 1929), *The Pastures of Heaven* (© 1932), *To a God Unknown* (© 1933), *The Red Pony* (© 1937), *Tortilla Flat* (© 1935), *In Dubious Battle* (© 1936), *Of Mice and Men* (© 1937), *Of Mice and Men* (play) (© 1937), *Murder at Full Moon* (© 1938), *The Long Valley* (© 1938), *The Grapes of Wrath* (© 1939), *Forgotten Village* (© 1941), and *The Sea of Cortez* (© 1941) (collectively, the "Early Works").

[14] These "late works" are: *The Moon is Down* (© 1942), *The Moon is Down* (play) (© 1942), *Bombs Away* (© 1942), *Cannery Row* (© 1945), *The Pearl* (© 1945), *The Wayward Bus* (© 1947), *A Russian Journal* (© 1948), *Burning Bright* (© 1950), *Log From the Sea of Cortez* (© 1951), *East of Eden* (© 1952), *Sweet Thursday* (© 1954), *The Short Reign of Pippin IV* (© 1957), *Once There Was a War* (© 1958), *The Winter of Our Discontent* (© 1961), and *Travels With Charley* (© 1962).

[15] The statute provide that if the author himself has made the assignment, and said author is now dead, termination of the assignment may be effected by the person or persons who own and are entitled to exercise

IV died in 1991, leaving only one child, Blake Smyle, who now asserts her statutory right in his stead, as Steinbeck's granddaughter.[16] Elaine died in April 2003, leaving all copyrights to her heirs from a previous marriage—all unrelated to Steinbeck.

But upon Elaine's death in April 2003, Thom and Blake, being in agreement, for the first time together possessed the majority (indeed, the totality) of termination interests needed to exercise their termination right. *See* 17 U.S.C. § 304(c)(1). In May and June 2004, they served five "Notices of Termination" on various third parties which purported to terminate pre-1978 grants of copyrights John Steinbeck made to those third parties in accordance with 17 U.S.C. § 304(c) and (d). Specifically, the Notices terminated: (1) a 1938 grant of book publishing rights made to the predecessor of Penguin Group (USA) Inc. (hereinafter the "Penguin Notice");[17] (2) grants of motion picture rights in Steinbeck's *The Red Pony* made to Paramount Pictures, Inc. in 1946, 1947 and 1949; (3) grants of motion picture rights to Stein-

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a total of more than one-half of the author's termination interest. 17 U.S.C. § 304(c)(1).

[16] Defendants dispute the assertion that Blake is the granddaughter of John Steinbeck, claiming that there has been no conclusive evidence produced to this effect, and there is no mention of her in John IV's will or in his pleadings in the 1981 action. It is undisputed, however, that John IV's heirs continued to receive his royalties, although the identity of those heirs and the distribution arrangement among them are the subject of a confidential settlement agreement or agreements entered into by Blake, Thom, and John IV's former wife Nancy Steinbeck, the intervenor-plaintiff in this action and the purported residuary beneficiary of John IV's Estate under his will. Nancy apparently seeks to ride on the "coat tails" of Thom and Blake's action against the defendants, claiming that neither Thom nor Blake are likely to protect her interests. As this motion is limited to the validity of the termination notices issued by Thom and Blake, the allegations brought by Nancy are not addressed at this time, and the parties have reserved their rights to do so.

[17] Widow Elaine entered into a new agreement with Penguin in 1994, Penguin's right of publication remaining the same as in the 1938 grant, but at a higher consideration, and statutory termination rights explicitly continued, as per the agreement. *See* discussion *infra*.

beck's *The Long Valley* given to Paramount Pictures, Inc. in 1946, 1947 and 1949; (4) a 1956 grant of theatrical rights to Steinbeck's *Cannery Row* given to Rogers & Hammerstein and MGM; and (5) a 1949 grant of motion picture rights in Steinbeck's *The Wayward Bus* made to Twentieth Century Fox Film Corporation. Each notice is now addressed in turn.

The Penguin Termination Notice

In a 1938 agreement, author John Steinbeck granted to Penguin's predecessor, The Viking Press, Inc., sole, exclusive, and open-ended publication rights in the collection of stories *The Long Valley*, including all thirteen short stories contained therein. By its terms, the 1938 Agreement "supersede[d] all previous agreements made between The Viking Press, Inc. and John Steinbeck," and also applied to "all the previously published books of John Steinbeck," namely: *Cup of Gold*; *The Pastures of Heaven*; *To A God Unknown*; *Tortilla Flat*; *In Dubious Battle*; *Of Mice and Men*; *Of Mice and Men* (Play); *The Red Pony*, and the three stories included therein.[18] Four additional works by Steinbeck were added to the 1938 Agreement by way of its option clause, including *The Grapes of Wrath*, the latest of the works at issue here, in 1939. This agreement provided for ongoing royalties based on net sales, and was periodically amended. Author Steinbeck renewed the copyrights in each of the ten works in question during his lifetime, and when he died in 1968, he bequeathed the copyrights in these early works to his widow Elaine. In 1994, Elaine entered into a "new agreement for continued publication" with Penguin as "Publisher" for these early works, which granted Penguin no more nor less rights than Penguin already had and was exercising under the original 1938 Agreement, although at increased cost to Penguin.[19]

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[18] The Viking Press, Inc. Agreement, ¶ 13A (Sept. 12, 1938).

[19] Elaine simultaneously entered into a similar agreement with Penguin for the late works on behalf of herself and Thom (who subsequently

On or about June 13, 2004, Thom and Blake served on Penguin a Notice of Termination, purporting to terminate Steinbeck's grants under the 1938 Agreement pursuant to Section 304(d). Penguin and the defendants in the *Steinbeck* action contend that said notice is invalid as a matter of law, because widow Elaine's 1994 Agreement, by its express terms, "cancel[s] and supercede[s] the previous agreements, as amended, for the Works,"[20] which effectively transforms Steinbeck's pre-1978 grant into a "new" grant of copyright, executed *on or after January 1, 1978*, and as such, is not subject to termination under Section 304. 17 U.S.C. § 304(c), (d).

I conclude that this argument fails. The 1938 Agreement was author Steinbeck's exclusive grant of publication rights to Penguin's predecessor of certain of his early works, so they unquestionably were within the terms of the subsequently-enacted termination statute.[21] Elaine's 1994 identical grant to Penguin explicitly carries forward possible future termination under the statute, reading: "If Elaine Steinbeck exercises her right to terminate grants made to Publisher in this agreement (in accordance with Section 304(c) of Title 17 of the U.S.Code) ..." *See* Penguin USA, Contract For Steinbeck titles, p. 13, ¶ 9A, *Termination Under U.S. Law* (Oct. 24, 1994).[22] The contention that the 1994 Agreement extinguished the very termination right that it

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ratified the agreement on December 22, 1994), but this second 1994 Agreement is not relevant here, although it raises questions of motive.

[20] Penguin USA, Contract For Steinbeck titles, p. 10, ¶ 19, *Termination of Previous Agreements* (Oct. 24, 1994).

[21] Indeed, this grant of publication rights is terminable because it is a "copyright subsisting in either its first or renewal term on January 1, 1978, ... [and is] the exclusive ... grant of a transfer or license of the renewal copyright *or any right under it*, executed before January 1, 1978, by [the living author of such work], otherwise than by will [here, by contract] ..." 17 U.S.C. § 304(c) (emphasis added).

[22] Section 304(d) was enacted four years after the contract was entered into, but remains no less applicable, as it simply expanded the opportunity for authors or their statutory heirs to execute their termination rights.

expressly acknowledges both exists and flows from the 1930s copyrights necessarily fails. At no point did Penguin lose or gain any rights other than those originally granted to it under the 1938 Agreement.[23] Furthermore, to the extent that the 1994 Agreement would strip Thom and Blake—at the time, owners of one—half of the future termination interest, but on Elaine's death, full owners-of their inalienable termination rights in the pre-1978 grants, it is void as an "agreement to the contrary" pursuant to 17 U.S.C. § 304(c)(5).[24]

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[23] By its terms, absent a default, the agreement was to continue for as long as the publishers keep the works "in print and for sale." The Viking Press, Inc. Agreement, ¶ 12A, *Termination of this agreement* (Sept. 12, 1938). Elaine did not inherit any interest in the book publishing rights Steinbeck granted to Penguin in 1938, because Steinbeck did not own those rights when he died. Rather, Penguin was the owner of said rights pursuant to the 1938 Agreement, and Steinbeck had only a contractual right to receive monies pursuant to that agreement. Elaine inherited only that contractual revenue scheme-she had no "copyright" interest to convey to Penguin by the 1994 Agreement, and Penguin had no need to enter into an agreement with Elaine to maintain its book publishing right (except, of course, to possibly avoid the exercise of federal termination rights-or a lawsuit).

[24] The 1994 Agreement does not purport to transfer Elaine's or anyone else's termination rights under Section 304, nor does it require Elaine or anyone else to refrain from exercising such rights, as any such contractual language that purports to affect inalienable-termination interest would run afoul of black-letter copyright law. Rather, the copyright interests purportedly granted by the document were granted subject to those very same rights. The whole of ¶ 9A *expressly preserves* Section 304 termination rights (at least with respect to Elaine, who, at the time, owned one-half), acknowledges that such rights (which had not yet been exercised) *could* be exercised in the future, and accordingly, contains detailed provisions about what would happen if (i) such termination rights were indeed exercised; and (ii) the copyright interests in Steinbeck Works were not subsequently re-granted to Penguin. Neither Thom nor Blake was a party to the 1994 Agreement, and they have never contractually transferred their termination rights to Penguin nor agreed to forego their termination rights. Any interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest—Thom and Blake—in favor of Elaine's heirs must be set aside as contrary to the very purpose of the termination statute, which protects children

Accordingly, I consider the Penguin termination notice both valid and effective.

The Wayward Bus *Termination Notice*

In 2004, Thom and Blake, now having between them 100% of the termination rights, sought to terminate author Steinbeck's 1949 grants of The Wayward Bus for "all motion picture rights, limited publication rights, radio rights, film, television, and commercial tie-up rights" that had been transferred to Twentieth Century Fox or its predecessors by John Steinbeck pursuant to agreements in 1949. Defendants argue that this termination notice is of no effect because author Steinbeck died before the copyright in this work entered its renewal term, and thus, the renewal copyright automatically went to his next of kin pursuant to Section 304(a).[25]

As observed earlier, in *Stewart v. Abend*, 495 U.S. 207, 219-20 (1990), the United States Supreme Court recognized that a renewal copyright represents a new estate free and clear of all rights, interests or licenses granted under the original copyright. *Id.* at 219. Accordingly, the Court stated that "[i]f the author dies before [the renewal right vests], the next of kin obtain the renewal copyright free of any claim founded upon an assignment made by the author in his lifetime. These results follow not because the author's assignment is invalid but because he had only an expectancy to assign [in the renewal copyright]; and his death, prior to the renewal period, terminates his interest in the renewal [term] ..."—which then vests in the statutorily named classes. *Id.* (internal citations omitted).

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and grandchildren, and not just widows. *See, e.g.*, 3-11 Nimmer on Copyright § 11.07, n. 29.

[25] 17 U.S.C.A. § 304(a)(1)(C), in relevant part, states that "the widow ... or children of the author, if the author is not living ... shall be entitled to a renewal and extension of the copyright in such work for a further term ..."

The renewal copyright for *The Wayward Bus* came into effect in 1975. Because John Steinbeck died in 1968-seven years *before* the renewal period would commence for this work—the renewal copyright never vested in the grantee (Twentieth Century Fox) and, therefore, the author's then-living statutory heir, Elaine, inherited those rights free of the previous assignment by the author pursuant to Section 304(a)(1)(C). *See Abend*, 495 U.S. at 219; *Morris*, 73 F. Supp. 2d at 371-72. Consequently, Twentieth Century Fox had in 2004 no interest in the renewal copyright today, and accordingly, there was nothing there for Thom and Blake to terminate in 2004 and the notice was a nullity.

The Cannery Row *Termination Notice*

On or about May 17, 2004,[26] Thom and Blake served a notice of termination of the grant for Steinbeck's *Cannery Row* pursuant to Section 304(c) for "all motion picture, radio, and television rights" to Rogers & Hammerstein and MGM in or before 1956 by author Steinbeck. Defendants assert a number of reasons this notice is invalid. I need address only the fact that this identical to *The Wayward Bus* termination, immediately above.[27]

Author Steinbeck registered *Cannery Row* for copyright protection in 1945, and so, the original term of copyright ended in 1973. As John Steinbeck died five years prior to the copyright entering its renewal term, his statutory heir, Elaine, automatically received the renewal copyright. *See Wayward Bus* Termination Notice discussion, *supra*. Thus, neither Rogers & Hammerstein nor MGM possessed

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[26] An amended notice was issued on or about June 13, 2004.

[27] Rogers & Hammerstein had transferred the rights it received in or before 1956 to Cannery Row Productions, Inc. by short form option agreement after 1978, and Thom and Blake also served the successor to that transfer with this termination notice. The fact that a copyright grantee made a subsequent post-1978 transfer of rights it acquired pre-1978 does not insulate such from termination. *See Morris, supra*.

any interest in the renewal copyright for Thom and Blake to terminate, so this notice was a nullity.

The Long Valley *and* The Red Pony *Termination Notices*

In 2004, Thom and Blake, served a notice of termination on Paramount Pictures Corporation, pertaining to a grant of motion picture, radio, and limited publication rights, in Steinbeck's *The Long Valley* and the collection of stories included therein that Paramount's predecessor had received from author Steinbeck pursuant to three agreements in 1946, 1947, and 1949. Simultaneously, Thom and Blake issued a separate but virtually identical termination notice for *The Red Pony* and all stories contained therein, granted to Paramount pursuant to the same contracts.[28] The defendants contest the validity of these two nearly identical notices of termination on the grounds that, under a 1983 Settlement Agreement between Elaine, Thom and Blake's father John IV, Thom and Blake have no existing grants which they can address to terminate.[29] Defendants early asserted that discovery was needed on the agreements which Thom and Blake purport to terminate, and until that time, they wish to reserve their right to contest the validity of these

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[28] John Steinbeck had renewed the copyrights in each of these works during his lifetime, *see supra* n. 12, and the grants he made to Paramount appear to meet the termination requirements of the statute.

[29] After a scuffle in court, *Steinbeck v. Steinbeck*, No. 81 Civ. 6105 (S.D.N.Y. Dec. 8, 1982), Thom, John IV and Elaine entered into a settlement agreement in 1983, pursuant to which Thom, John IV, and Elaine would share equally in the royalties from author Steinbeck's late works—one-third, one-third, one-third—in return for which Elaine was granted exclusive control over the copyrighted works, including the power and authority to execute contracts in their name. Disturbingly, the settlement agreement also purported to grant Elaine the exclusive right to exercise Thom and John IV's termination rights over the Steinbeck works. Paragraph 5 of the settlement agreement, in particular, is statutorily prohibited, stating: "Elaine Steinbeck and/or her agent shall have the complete power and authority to negotiate, authorize and take action with respect to the exploitation and/or termination of rights in the works of John Steinbeck which John Steinbeck IV and Thom Steinbeck have or will have renewal or termination rights."

notices, but the troublesome question is why discovery was not timely sought *here*.

So the record remains that, other than this bland conclusory assertion (without sufficient justification)[30] that discovery is needed, defendants are silent on their principal argument that the said 1983 Settlement Agreement invalidated all of the notices of termination which are the subject of the present motion,[31] which I therefore deem to be an abandonment of defendants' counterclaims regarding these two notices. *See Jessamy v. City of New Rochelle*, 292 F. Supp. 2d 498, 515 n. 21 (S.D.N.Y.2004). Summary judgment on the validity of these notices as a matter of law is granted.

So Ordered.

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[30] At the hearing before me on May 11, 2005, counsel for the defendants stated, for the first time, that the two notices at issue "relate to motion picture rights with respect to a licensee who the, during John Steinbeck's lifetime in a foreclosure action, had those rights transferred ... So it is not at all clear to us, first of all, whether there is anything to terminate, because after a bankruptcy during the course of John Steinbeck's lifetime it's not at all clear whether anything still exists. It would appear that it may be the motion picture rights at issue are actually derivative works, which would essentially take them out of and have different meanings with respect to the termination provisions." Hr'g Tr. 17 (May 11, 2005). The record before me does not support this contention.

[31] If this theory is meant to suggest that the terms of the 1983 Settlement Agreement void all of Thom's and Blake's termination rights—that Elaine successfully contracted away the rights of these statutory heirs when she settled litigation with them—it is barred by the plain language of 17 U.S.C. § 304(c)(5) and (d)(1). Any portion of the settlement agreement which limits or extinguishes Thom's and Blake's statutory termination rights is invalidated as a statutorily-prohibited "agreement to the contrary." *See, e.g., Marvel*, 310 F.3d at 290-91; *Morris*, 73 F. Supp. 2d at 373-77.

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No. 05-1332

IN THE

Supreme Court of the United States

CLARE MILNE, by and through Michael Joseph Coyne, her Receiver,

Petitioner,

v.

STEPHEN SLESINGER, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

SUPPLEMENTAL BRIEF FOR RESPONDENT

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Pursuant to Supreme Court Rule 15.8, Respondent Stephen Slesinger, Inc. ("Slesinger") submits this Supplemental Brief to correct three misstatements of fact contained in the Reply Brief (the "Reply") of Petitioner Clare Milne. Supplemental briefing is warranted because the misstatements were not made in the Petition and thus constitute "intervening matter not available at the time of [Slesinger's] last filing." The purpose of this brief is not to raise new argument, but to clarify the undisputed facts of this case so that the Petition can be considered on the same record that informed the decision of the Ninth Circuit.

The Reply's first two misstatements concern Petitioner's mischaracterization of the 1930s grant of rights from A.A. Milne to Slesinger as an *assignment*. *See* Reply at 1 ("The Congress . . . knew . . . that its prior efforts to ensure protection for authors had been thwarted by publishers' practice of requiring authors to *assign away* in advance their rights to the renewal copyright term (*as A.A. Milne did in 1930*). . . ;") (emphasis added); *id.* at 7 ("In *Spier*, songwriter Dave Dreyer *assigned to a publisher* in 1951 'the renewal copyrights. . . .' *In exactly the same manner*, A.A. Milne sold his copyright interest to Stephen Slesinger. . . .") (emphasis added). It is undisputed, however, that A.A. Milne did not "assign" any rights under U.S. copyright to Slesinger; rather, to the extent the 1930s Agreement included a grant to Slesinger of certain limited rights under U.S. copyright in the Pooh Works (*see* Brief in Opposition at 2), such grant was a *license, not an assignment*. Petitioner's mischaracterization of the grant as an assignment is striking, given that Slesinger's status as a licensee is recognized throughout Petitioner's own pleadings (**ER** 5, Complaint ¶ 14; **ER** 824, Amended Complaint ¶ 14), in the Ninth Circuit's decision (App. 4a, 19a), and throughout the Petition itself (*see, e.g.*, Pet. at 2, 3).

The purpose of the Reply's first two misstatements is to set up the third: that A.A. Milne bequeathed to the Trust only a "right to receive royalties" of the Pooh Works as opposed to any copyright interest. *See* Reply at 7-8 ("It is that right to receive royalties that the songwriter in *Spier* and A.A. Milne in this matter each bequeathed by will to a trust."). But the undisputed facts of this case—as set forth in the Ninth Circuit's decision as well as the Petition—establish that in addition to the right to receive royalties, A.A. Milne bequeathed by will to the Trust ownership of "the author's copyright interest in the Pooh Works," including the copyright interest that A.A. Milne retained by merely licensing, as opposed to assigning, rights to Slesinger. App. 5a; *accord* Petition at 2-3 ("When Milne died in 1956, he bequeathed his ownership of *the copyrights* . . . to the Milne Trust" which "was succeeded in ownership of *the copyrights* to the Pooh Works by the Pooh Properties Trust ('Trust')."") (emphasis added); *id.* at 7 ("[T]he Trust . . . had obtained ownership in *the copyrights* to the Pooh Works by bequest from Milne.") (emphasis added, internal cross-reference omitted); *id.* ("[A]lthough the Trust owned, by bequest, *A.A. Milne's copyrights* in the Pooh Works. . . .") (emphasis added); *id.* at 18 ("The Trust . . . *owned the copyrights* in the Pooh Works, so only the Trust could 'regrant' the rights in those works to [Slesinger].") (emphasis added); **ER** 90 ¶ 1.

Petitioner's apparent purpose in making these three misstatements is clear: to recast the facts of this case as identical to the facts in *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774, 776 (2d Cir. 1992), as part of a broader attempt to manufacture an inter-Circuit conflict where none exists. *See* Brief in Opposition at 23-26. This effort should be rejected.

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ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

SUPPLEMENTAL BRIEF IN RESPONSE TO THE SUPPLEMENTAL BRIEF FOR PETITIONER

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Pursuant to Supreme Court Rule 15.8, Respondent Stephen Slesinger, Inc. ("Slesinger") submits this Supplemental Brief in response to the Supplemental Brief for the Petitioner ("Pet. Supp. Br.") recently filed by Petitioner Clare Milne.

A. The District Court's Interlocutory Decision In *Steinbeck v. McIntosh & Otis, Inc.*, Does Not Provide A Basis For Granting The Petition

In her submission, Petitioner argues that an interlocutory decision of a district court in *Steinbeck v. McIntosh & Otis, Inc.*, No. 04-CV-5497, 2006 WL 1586547 (S.D.N.Y. June 8, 2006), "reinforces the need" for granting the Petition. Pet. Supp. Br. at 1. Contrary to Petitioner's arguments, the *Steinbeck* decision does not evidence any split among the Circuits regarding the termination provisions of the Copyright Act and does not strengthen the merits of the Petition; if anything, the decision further supports Slesinger's view that the Petition should be denied.

In *Steinbeck*, the court held that the author's son and granddaughter could terminate the author's 1938 grant to a publisher of publishing rights in certain of the author's works, notwithstanding the fact that the author's widow purported to make a subsequent grant to the publisher of the same rights in the works in 1994 (the "1994 Agreement"), which the publisher claimed had the effect of precluding a statutory termination. Supp. App. at 9a.[1] Petitioner claims that such facts are "strikingly similar" to those in this case. Pet. Supp. Br. at 4. But as Petitioner did with respect to *Larry Spier, Inc. v. Bourne Co.*, 953 F.2d 774 (2d Cir. 1992) ("*Spier*"), and *Marvel Characters, Inc. v. Simon*, 310 F.3d 280 (2d Cir. 2002) (*see* Slesinger's Brief in Opposition at 23-27), Petitioner has ignored key factual

1. Citations to "Supp. App." are to the *Steinbeck* decision as reproduced in the Appendix to Petitioner's Supplemental Brief.

distinctions between the cases and relies on *dicta* instead of the true holdings.

For example, while the court in *Steinbeck* noted that the 1994 Agreement between the author's widow and the publisher purported to "'cancel[] and supercede[] the previous agreements . . . for the Works,'" Supp. App. at 9a, the court held that the agreement "*expressly preserve[d]* Section 304 termination rights" and "acknowledge[d] that such rights . . . *could* be exercised in the future . . . ," *id.* at 10a n.24 (emphasis in original).[2] Thus, the Court held—*as a matter of contract interpretation*, and not any principle of copyright law—that the publisher's interpretation of the 1994 Agreement was directly contradicted by the express terms of the agreement itself. *Id.* at 9a-10a. ("The contention that the 1994 Agreement extinguished the very termination right that it expressly acknowledges both exists and flows from the 1930s copyrights necessarily fails."). Unlike the 1994 Agreement in the *Steinbeck* case, the 1983 Agreement between Christopher Milne, Slesinger, Disney and the beneficiaries of the Trust unequivocally and unconditionally revoked the prior grant and did not purport to preserve any statutory termination right. (Petitioner also has never advanced an argument that the 1983 Agreement preserved termination rights and she cannot do so now.) Thus, the court's interpretation of the contract in *Steinbeck* is irrelevant and its holding is inapposite.[3]

2. The version of the *Steinbeck* opinion reprinted in the Appendix to Petitioner's Supplemental Brief misnumbers the footnotes. (The footnotes begin at number "2" rather than number "1".) For the Court's ease of reference, we use herein the misnumbered footnote references from Petitioner's Supplemental Appendix rather than the correct footnote references from the original opinion.

3. Petitioner's reliance on the *Steinbeck* court's comments regarding the termination of certain rights granted to Paramount Pictures, (Cont'd)

Another crucial distinction between the facts of the *Steinbeck* case and the case at bar is that in *Steinbeck*, as in *Spier*, the author did not own any copyright interest in his works when he purported to bequeath such copyrights to his widow in 1968. *Compare Steinbeck*, Supp. App. at 10a n.22 ("[The widow] did not inherit any interest in the book publishing rights Steinbeck granted to Penguin in 1938 because Steinbeck did not own those rights when he died. Rather . . . Steinbeck had only a contractual right to receive monies pursuant to" his agreement with Penguin) *with Spier*, 953 F.2d at 777 ("*We hold only* that, in view of the unqualified and unambiguous language of the assignment agreement, [the songwriter] did not have any 'right under' the renewal copyrights remaining at the time he executed the Will.") (emphasis added). Thus, Steinbeck's widow had no basis in 1994 to rescind the author's prior grant of rights to the publisher. *Steinbeck*, Supp. App. 10a. Here, unlike the testamentary trust in *Spier* and the widow in *Steinbeck*, who

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(Cont'd)

Inc. ("Paramount") is even more misplaced. Paramount initially argued that the author's son Thom and granddaughter Blake had no termination rights to exercise in 2004 based on a 1983 agreement in which the author's widow (Elaine), Thom, and Blake's father agreed that the widow exclusively would control the copyrighted works, including the termination rights in such works. Supp. App. at 13a n.29. The agreement in *Steinbeck*—in which potential holders of future termination rights purported to give those termination rights to another—has nothing in common with the agreement between Christopher Milne, the Trust, Disney and Slesinger here, in which the Trust as copyright owner revoked a prior license to Slesinger and entered into a new arrangement with Slesinger under far better terms for the Trust beneficiaries. In any event, as Petitioner concedes, the *Steinbeck* court determined that Paramount had waived all substantive defenses to the validity of the termination notices, Supp. App. at 14a, and thus any comment the Court made on the validity or invalidity of the agreement between the author's heirs is pure *dicta*.

each received no copyright interest by will because the authors had divested themselves of all copyrights in their works before death, the Trust beneficiaries were the undisputed recipients of A.A. Milne's valid and effective bequest of the renewal copyrights to the Pooh Works.[4] *See* App. 5a.[5] Under the express terms of Sections 304(c) and (d) the Copyright Act, this bequest is not subject to termination because it is a transfer "by will." Thus, the Trust beneficiaries, as the owners of the renewal copyrights in the Pooh Works, unquestionably had the right to revoke A.A. Milne's prior *license* to Slesinger and to make a new grant.

The *dicta* that Petitioner relies on (and treats as the *Steinbeck* court's holding) also is inapposite. In *Steinbeck*, after finding that the 1994 Agreement expressly preserved the heirs' statutory termination right, the district court went on to criticize any interpretation of the 1994 Agreement that would have permitted the author's widow (his third wife) to extinguish the statutory termination rights of the author's son and granddaughter (each from the author's second marriage) where neither the son nor the granddaughter was a party to the agreement. Supp. App. at

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4. Petitioner repeatedly conceded this point in the Petition. *See* Petition at 2-3 ("When Milne died in 1956, he bequeathed his ownership of *the copyrights* . . . to the Milne Trust" which "was succeeded in ownership of *the copyrights* to the Pooh Works by the Pooh Properties Trust ('Trust')."") (emphasis added); *id.* at 7 ("[T]he Trust . . . had obtained ownership in *the copyright* to the Pooh Works by bequest from Milne.") (emphasis added, internal cross-reference omitted); *id.* ("[A]lthough the Trust owned, by bequest, *A.A. Milne's copyrights* in the Pooh Works. . . .") (emphasis added); *id.* at 18 ("The Trust . . . *owned the copyrights* in the Pooh Works, so only the Trust could 'regrant' the rights in those works to [Slesinger].") (emphasis added); *see also* ER 90 ¶ 1.

5. Citations to "App." are to the Appendix of the original Petition.

10a n.24 ("Neither Thom nor Blake was a party to the 1994 Agreement. . . . Any interpretation of the 1994 Agreement having the effect of disinheriting the statutory heirs to the termination interest . . . must be set aside. . . ."). But there is no such intra-family drama here. Rather, the undisputed facts show that the author's son, Christopher Milne, entered into the 1983 Agreement specifically for Petitioner's benefit and that as a "prime beneficiary" of the Trust, Petitioner herself effectively was a party to the agreement. App. 6a-7a, 14a. Accordingly, the concerns raised by the *Steinbeck* court in *dicta* have no application to this case.

Even if the decision in *Steinbeck* conflicted with the Ninth Circuit's decision in this case—and for all the reasons explained above, it does not—this still would not provide a basis for granting the Petition. The interlocutory decision of one district judge—which does not even mention, much less attempt to distinguish or criticize, the Ninth Circuit's decision below—does not constitute "a decision in conflict with another United States court of appeals on the same important matter" under Supreme Court Rule 10(a). In an attempt to avoid this fact, Petitioner claims that "the district court's decision in *Steinbeck* shows that the Ninth and Second Circuits are in conflict" because the *Steinbeck* court allegedly "relied on the Second Circuit's ruling in *Spier* to reach its conclusion that Steinbeck's statutory authors retained their termination right." Supp. Pet. at 5. This tortured argument fails.

The *Steinbeck* court merely cites *Spier*, among several other cases, in its overview of the statutory termination provisions; it *does not* cite *Spier* to support either its true holding (i.e., that the 1994 Agreement, by its very terms, preserved statutory termination rights) or the *dicta* relied on by Petitioner (i.e., that even if the 1994 Agreement could be interpreted otherwise, it would be an "agreement to the contrary" under Section 304(c)(5)

of the Copyright Act). Moreover, it bears repeating that the holding in *Spier* itself was expressly limited to the Court's interpretation of the contract at issue in that case and thus does not relate to or conflict with any holding of the Ninth Circuit. *See* Slesinger's Brief in Opposition at 24 (discussing *Spier*). The *Steinbeck* court's reference to *dicta* in *Spier* in a general discussion of the termination provisions simply cannot support a finding that there is an inter-Circuit conflict.

The decision in *Steinbeck* illustrates that the law regarding the circumstances in which statutory termination may be exercised is developing among the lower courts based on the unique factual circumstances that are presented in each case. Presumably, the Second Circuit will have the opportunity to determine whether the *Steinbeck* decision was, in its view, correctly decided by the district court. And if and when the Second Circuit considers the *Steinbeck* decision, it may also address *Spier* and the Ninth Circuit's decision in this case. But any consideration by *this Court* of an interlocutory decision of a district judge before the Second Circuit has conducted its own review of the case would be premature.

B. The Misstatements In Petitioner's Reply Brief Relate To A Key Distinction Between *Spier* And This Case

Petitioner's Supplemental Brief also attempts to respond to Slesinger's first Supplemental Brief, which uncovered three misstatements of fact in Petitioner's Reply Brief relating to Petitioner's mischaracterization of the rights that A.A. Milne granted to Slesinger in the 1930s and the rights that A.A. Milne bequeathed to the Trust beneficiaries by will. Petitioner admits (as she must) that the misstatements were made, but now claims that they relate to "a distinction without a difference." Pet. Supp. Br. at 5. At the outset, this proffered excuse begs the question: Why did Petitioner see the need to misstate the facts in the first

place? Moreover, Petitioner's attempt to downplay the significance of the misstatements is nothing more than a further attempt to distract and confuse the matters that the Petition asks this Court to analyze and decide. The only issue here is whether there is a "compelling need" for this Court to review the Ninth Circuit's ruling under Sections 304(c) and (d) upholding the legality of the parties' contractual actions with respect to a 1930s copyright license where these actions, taken after January 1, 1978, were expressly endorsed by Congress when it created the termination provisions at issue.

Petitioner bases her claim that her misstatements were irrelevant upon the definition of "transfer of copyright ownership" in the current version of the Copyright Act, which, according to Petitioner, equates assignments of copyright rights with licenses of copyright rights. *See* Pet. Supp. Br. at 5-6 (citing 17 U.S.C. § 101). But this is a non-sequitur having nothing to do with the question whether the Trust owned a copyright interest in the Pooh Works that entitled the Trust beneficiaries to revoke A.A. Milne's prior grant to Slesinger. The definition cited by Petitioner first appeared in the Copyright Act of 1976, which had an effective date of January 1, 1978, *see* Transitional and Supplementary Provisions of the Copyright Act of 1976, Pub. L. No. 95-533, 90 Stat. 2541, Sec. 102; it did not appear in and does not apply to the 1909 Copyright Act, which is the version of the Copyright Act that was in effect when AA. Milne created the Pooh Works, when he granted certain limited rights in the works to Slesinger in the 1930s, and when he bequeathed the renewal copyrights in the works to the Trust beneficiaries upon his death in 1956.

Under the 1909 Act, copyright ownership was indivisible, and it was not possible for a copyright owner to assign separately "any of the exclusive rights that go to make up a copyright." H.R. Rep. No. 94-1476, at 123 (1976) (noting that the 1976

Copyright Act "contains the first explicit statutory recognition of the principle of divisibility of copyright in our law"). As explained by Professor Latman, "[t]he indivisibility concept mandated a single owner or proprietor of copyright at any one time; all others having an interest under copyright were deemed licensees." William F. Patry, *Latman's The Copyright Law* at 126 (6th ed. 1986). As Petitioner now concedes, A.A. Milne's grant of rights to Slesinger in the 1930s was a license. Thus, there can be no dispute that when A.A. Milne licensed certain rights in the Pooh Works to Slesinger in the 1930s, he retained ultimate ownership of the copyrights, including the renewal copyrights, in the works. There also can be no dispute that A.A. Milne bequeathed such retained copyright ownership interest in the Pooh Works to the Trust.

The significance of A.A. Milne's valid bequest of the renewal copyrights is that under the express language of the termination provisions at issue in this case, A.A. Milne's pre-1978 transfer of the renewal copyrights to the Trust "by will" cannot be terminated. 17 U.S.C. §§ 304(c), (d); *see* Slesinger's Brief in Opposition at 16. The 1976 Copyright Act's definition of what constitutes a "*transfer* of copyright ownership" (emphasis added) applicable to grants made *on or after* January 1, 1978 simply has no bearing on the issue of *what rights* in the Pooh Works were transferred "by will" *before* January 1, 1978 for purposes of Sections 304(c) and (d).[6] Accordingly, the

6. Although Petitioner has not argued that the definition should be applied retroactively to deprive the Trust of its ownership of the renewal copyrights, any such argument would fail. *Cf. Roth v. Pritikin*, 710 F.2d 934, 937 (2d Cir. 1983) (holding that new work-made-for-hire definitions in 1976 Copyright Act did not apply retroactively to pre-1978 works). Moreover, Slesinger notes that while the defined phrase appears in several provisions of the 1976 Copyright Act, *see* 17 U.S.C. §§ 204, 205, 702, 708(a)(4), it does not appear in *any* of the termination provisions, which refer simply to "transfers" as opposed to "transfers of copyright ownership," *see* 17 U.S.C. §§ 203, 304(c), 304(d).

definition cited by Petitioner is completely irrelevant to this case.

No matter how hard Petitioner tries to avoid this, the misstatements in Petitioner's Reply therefore relate to a key distinction between this case and *Spier*. In *Spier*, the songwriter did not retain any copyright interest in his works, having *assigned* them away before he died. Thus, his purported bequest of the "renewal copyrights" in his works to a testamentary trust was completely illusory. While the testamentary trust in *Spier* received no copyright interest under the songwriter's will, the Trust beneficiaries in the case at bar received a valid and effective bequest of the renewal copyrights from A.A. Milne, resulting in the Trust beneficiaries' ownership of such renewal copyrights—a fact that Petitioner repeatedly conceded in the Petition. *See* n.4, *supra*. And as the owners of the renewal copyrights in 1983, the Trust beneficiaries (including Petitioner) had the right to control such copyrights, including by canceling the 1930s *license* of rights to Slesinger and entering into a new, far more lucrative arrangement with Slesinger and Disney in its place. Slesinger's Brief in Opposition at 16. Nothing in *Spier* conflicts with this conclusion.

CONCLUSION

Petitioner's repeated attempts to fabricate an inter-Circuit conflict where none exists only provide further proof that this Court's review of the Ninth Circuit's decision is not warranted. Accordingly, again, the Petition should be denied.

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3 *Nimmer on Copyright* § 11.07 (1978) 4

REPLY BRIEF FOR THE PETITIONER

The Ninth Circuit has given publishers and other copyright licensees an easy way to circumvent an important right that Congress deliberately reserved for authors, their surviving spouses, and their lineal descendants. In Section 304 of the Copyright Act, 17 U.S.C. § 304, Congress allowed those individuals to terminate any grant or license executed before January 1, 1978, after either the 56th or 75th year of the copyright, and to recapture for themselves the remainder of the copyright term. Similarly, in Section 203 of the Act, 17 U.S.C. § 203, Congress allowed authors and their family members to terminate any grant by the author after the 35th year of the grant. These provisions reflect Congress's longstanding recognition, dating back to the Copyright Act of 1909, that authors often make grants when they cannot know the full value of their works; the provisions are intended to ensure that authors and their families benefit from the full, developed value of copyrighted works when the termination right matures.

The Congress that enacted Sections 203 and 304 also knew, however, that its prior efforts to ensure such protection for authors had been thwarted by publishers' practice of requiring authors to assign away in advance their rights to the renewal copyright term (as A.A. Milne did in 1930)—a practice upheld by this Court in *Fred Fisher Music Co.* v. *M. Witmark & Sons*, 318 U.S. 643 (1943). To protect authors and their families against the risk that publishers might use their leverage in a similar way to induce authors to give up their statutory termination rights, Congress provided that authors and their families may terminate prior grants "notwithstanding any agreement to the contrary." 17 U.S.C. § 304(c)(5), (d)(1). This provision expressly precludes authors and their families from waiving their statutory termi-

nation rights. This Court has, in fact, described termination rights as "inalienable."[1]

The Ninth Circuit, however, has opened up a path for grantees to get around this clear statutory language and the policy it implements. Under the decision below, a grantee may induce an author or his descendant, not to "waive" the termination right—which would be clearly invalid as an "agreement to the contrary"—but rather to cancel and simultaneously reissue the license, which has exactly the same effect but in the Ninth Circuit is now deemed *not* to be an "agreement to the contrary." None of respondent's arguments answers our showing that this ruling is erroneous and conflicts with decisions of the other major venue for copyright litigation, the Second Circuit.

A. The Ninth Circuit's Decision Conflicts With The Language Of The Statute And Seriously Undermines The Statutory Termination Right

Respondent argues that the Pooh Properties Trust's 1983 cancel-and-simultaneously-regrant transaction with respondent eliminated Clare Milne's statutory right to terminate her grandfather's 1930 Grant to respondent because (a) members of the Milne family (including petitioner) were supposedly actual parties to that shuffle, and (b) the transaction supposedly brought substantial benefits to the Milne family. Neither assertion is supported by the record; as we explain below (pp. 9-10, *infra*), the record contains no evidence that either Christopher Milne or Clare Milne obtained a benefit from this simultaneous two-step.

More fundamentally, whether the Milne family received any benefits from the 1983 Agreement is legally irrelevant. The statute makes waivers of termination rights—and two-steps that amount to waivers—ineffective regardless of the payment or amount of consideration. Indeed, the premise of Section 304 is that authors and their families should be enti-

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[1] *See New York Times Co.* v. *Tasini*, 533 U.S. 483, 496 n.3 (2001); *Stewart* v. *Abend*, 495 U.S. 207, 230 (1990).

tled to claim the full value of the copyright during the extension period set by Congress, and should not be limited to some lesser amount that they might earlier have obtained for a waiver of the statutory termination right—even if the amount paid for that waiver was substantial. Section 304 makes clear that termination rights may not be defeated by "*any* agreement to the contrary," and does not turn on the size of consideration that might have been paid in exchange for such an agreement. And any rule that turned on the size or the substantiality of such consideration would clearly be impossible to administer.[2]

Section 304 is an unusual statute; it prevents authors and their families from alienating their termination rights, no matter how beneficial such an alienation might appear to them at the time. But as Congress understood from the *Fred Fisher* experience, any other rule could quickly lead to the unraveling of the policy of allowing authors and their families to capture the full value of a copyrighted work. That policy is undermined by a rescission-and-regrant no less than by a waiver of termination rights.

Respondent suggests (Opp. 12) that the Ninth Circuit merely recognized rescission-and-regrant transactions such as the 1983 Agreement as "an alternate way for authors' heirs to capitalize on the increased bargaining power conferred by the statutory termination provision." But the 1983 Agreement clearly was *not* the kind of termination that Congress sanctioned in the Copyright Act. Congress made clear that, for a true termination to be valid, it must be effec-

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[2] It is clear, however, that the value of a copyright recaptured by the author's heirs upon a true termination is often dramatically greater than the amount the author or his heirs might obtain for waiving or assigning their termination rights. For an example, one need look no further than the *Lassie* case discussed in the petition for certiorari, in which the author's daughter contracted away her termination right in 1978 for $3,000. *See* Pet. 26; Pet. App. 44a.

tuated pursuant to detailed rules set forth in the statute, with which the 1983 Agreement did not comply.[3]

Indeed, the fact that the rescission and regrant were effectuated simultaneously and in the same document shows that the 1983 Agreement was purposely structured *not* to be a termination of the 1930 Grant; if the 1930 Grant truly had been terminated, respondent would have been placed at risk that the copyright owner might then have decided to license the Pooh works to someone else. The 1983 Agreement was designed to preclude the possibility that any such termination might occur. *See* Pet. 7; C.A. E.R. 209.[4] Thus, it is irrelevant whether the Milne family received benefits from

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[3] Congress has meticulously legislated how statutory termination may be effectuated. Among other safeguards, termination may only be undertaken by a per stirpes majority of the author's surviving progeny, 17 U.S.C. § 304(c)(2)(C), acting either 56-61 years after the date copyright for the work was secured, § 304(c)(3), or 75-80 years thereafter, § 304(d)(2), by personally serving the grantee's successors in title, § 304(c)(4), with a notice complying in content and manner of service with Copyright Office regulations, § 304(c)(4)(B), stating at least two years in advance the exact future date that termination is scheduled to take effect, § 304(c)(4)(A), during which advance time they cannot make a further grant to any new grantee, § 304(c)(6)(D), and also during which such advance time they must record the notice in the records of the U.S. Copyright Office, § 304(c)(4)(A).

[4] Respondent contends (Opp. 6-7) that a 1982 letter from Professor Melville Nimmer to Disney supports the Ninth Circuit's decision by positing that the 1983 Agreement would effectively nullify the termination right that Congress gave to A.A. Milne's descendants. Professor Nimmer's letter, however, did not take the position that respondent attributes to it. In the letter, Professor Nimmer adhered to his long-stated scholarly view that the parties' *simultaneous* rescission and regrant of a license—which is what occurred in this case—could not suffice to avoid subsequent statutory termination. *See* C.A. E.R. 50 (citing 3 *Nimmer on Copyright* § 11.07, at 11-42 (1978)). Although Professor Nimmer in 1982 seemed ready to accept *sequential* rescission and regrant as a way to avoid statutory termination, *see id.* at 48-50, that letter predated the Second Circuit decisions, discussed at pp. 7-9, *infra*, that foreclose even such an artifice. Moreover, the parties to the 1983 Agreement did not follow Professor Nimmer's advice when they engaged in the type of simultaneous transaction of which he steadfastly disapproved. *See* C.A. E.R. 110-111 (setting forth 3 *Nimmer on Copyright* § 11.07, at 11-42 to 11-43 (1978)).

the 1983 Agreement, because that Agreement clearly was *not* a termination made in accordance with the requirements of Section 304.

Respondent's efforts to minimize the Ninth Circuit's decision as limited to an idiosyncratic case are also without merit. Contrary to respondent's suggestion, the Ninth Circuit's decision does not turn on any involvement in the 1983 Agreement by Christopher Milne (much less by Clare Milne, who did not sign that Agreement). Rather, the Ninth Circuit has upheld, as a way to preclude the exercise of the statutory right to terminate a license, a device by which the copyright owner agrees to revoke and simultaneously regrant the license. There is no apparent reason why the very same device might not be used by, for example, future authors who were induced to cut off their spouses and descendants, or creditors who obtained the copyright in a bankruptcy proceeding and had no interest in protecting the family.

Moreover, the effects of the decision below are not limited in time, as respondent suggests. Under Section 304, which applies to grants executed before January 1, 1978, the Ninth Circuit's rule will apply far into the future, as works published and licensed in 1977 now remain in copyright until 2072. The related termination right in Section 203—which contains the same assurance to authors and their families that the right trumps "any agreement to the contrary"—extends into the indefinite future. Thus, under the Ninth Circuit's reasoning, if *Winnie-the-Pooh* were first published today and events unfolded as they did in this case, the same result would obtain years from now under Section 203.

B. Respondent's Arguments Based On Legislative History Are Incorrect

Unable to provide a coherent explanation why a rescission-and-regrant deliberately designed to preclude termination of a prior grant is not an "agreement to the contrary," respondent tries to seek support in the legislative history of the Copyright Act. That effort is also unavailing, for the

passage on which respondent relies has no bearing on the question presented by this petition.

Read in full, the passage to which respondent repeatedly refers provides:

> *Section 203* would not prevent the parties to a transfer or license from voluntarily agreeing at any time to terminate an existing grant and negotiating a new one, *thereby causing another 35-year period to start running.*

H.R. Rep. No. 94-1476, at 127 (1976) (emphasis added). Both respondent and the Ninth Circuit chop off from their quotations the beginning and end portions italicized above. Opp. 21; Pet. App. 15a. By doing so, they distort the meaning of the passage, for they take it out of the only context to which it speaks.

Unlike Section 304, which affords authors and their families one opportunity to terminate a prior grant, Section 203 allows an unlimited number of potential statutory terminations to "be effected ... at the end of thirty-five years from the date of execution of the grant." 17 U.S.C. § 203(a)(3). Thus, the import of the legislative history quoted above is that, under Section 203, parties who negotiate a new agreement will cause "another 35-year period to start running," after which the termination right can be used again. But that passage is wholly inapplicable to Section 304, under which a single termination window opens after either the 56th or 75th year of the copyright. *See* 17 U.S.C. § 304(c)(3), (d)(2).[5]

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[5] Notably, this sentence appears only in the House and Senate Reports' discussion of Section 203, and not in those Reports' discussion of Section 304. That lacuna demonstrates that the quoted sentence is relevant only to Section 203. Typically, comments in the House and Senate Reports about the termination right under Section 203 were repeated almost verbatim in the discussion of Section 304. *Compare* H.R. Rep. No. 94-1476, at 124-128 and 140-142 *with* S. Rep. No. 94-473, at 108-111 and 123-125 (1975).

Moreover, even if the passage were applicable to Section 304, it would not follow that Congress had intended that parties to a grant or license should be able, by agreement among themselves, to nullify an author's family member's termination right, as the parties to the 1983 Agreement sought to do. At most, the passage recognizes that the owner of a copyright and a grantee can renegotiate the terms of an agreement between themselves; it does not suggest that any such agreement can ever supersede or preclude statutory termination rights. The issue here is not whether the 1983 Agreement would have been enforceable under state law if, for example, Disney or respondent had refused to pay the Pooh Properties Trust royalties under that Agreement on the ground that the Agreement was invalid and the 1930 Grant remained in effect. Rather, the issue here is whether, even if the 1983 Agreement might have been enforceable among the parties to it, that Agreement was effective to preclude Clare Milne, who was *not* a party to that Agreement, from asserting her statutory rights. By holding that the 1983 Agreement did have that effect, the Ninth Circuit has sanctioned the circumvention of the statutory termination rights of authors and their families.

C. The Decision Below Conflicts With Decisions Of The Other Major Copyright Circuit

As the petition shows (Pet. 19-24), the decision below cannot be reconciled with the decisions of the Second Circuit in *Larry Spier, Inc.* v. *Bourne Co.*, 953 F.2d 774 (2d Cir. 1992), and *Marvel Characters, Inc.* v. *Simon*, 310 F.3d 280 (2d Cir. 2002), each of which stressed that statutory termination rights of authors and their families cannot be defeated in advance by agreement. Respondent's efforts to minimize the significance of these Second Circuit decisions fall wide of the mark.

In *Spier*, songwriter Dave Dreyer assigned to a publisher in 1951 "the renewal copyrights ... subject to the payment of the royalties hereinafter provided for." 953 F.2d at 777. In exactly the same manner, A.A. Milne sold his copyright interests at issue in this case to Stephen Slesinger

in 1930, subject to an ongoing royalty obligation. Opp. 3. It is that right to receive royalties that the songwriter in *Spier* and A.A. Milne in this matter each bequeathed by will to a trust. But the two Courts of Appeals reached precisely opposite conclusions about the legal effect of these arrangements. In *Spier*, the Second Circuit ruled that "the Dreyer family had the right, under the statute, to terminate the 1951 assignment and recapture the renewal copyrights for the family," 953 F.3d at 778, even though doing so would end the royalty stream bequeathed to the Dreyer testamentary trust. The Ninth Circuit here, by contrast, held that A.A. Milne's testamentary trust shall continue to receive royalties under the 1983 Agreement because that Agreement trumped the statutory termination rights of the Milne family.

Respondent argues that the only issue in *Spier* was whether the author could transfer rights to royalties from the copyright by will when the author had transferred the copyright itself during his lifetime. *See* Opp. 24-25.[6] But the Second Circuit hardly limited itself to a discussion of that narrow issue. To the contrary, the Second Circuit extensively canvassed the purpose of Section 304(c) and concluded that the Dreyer family was entitled to exercise its right to terminate an assignment that Dreyer had made in 1951, notwithstanding that this termination would override Dreyer's intent, expressed in his will, that his mistress share in the benefit of the copyrights. As the Second Circuit explained, "[g]ranting supremacy to the author's intent as against the rights of the widow and children would obviate the reason that Section 304(c) is in the Copyright Act to begin with and distort the deliberate legislative choice made by Congress." 953 F.2d at 778.

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[6] Respondent takes out of context the Second Circuit's statement that it was "hold[ing] only" on that point. Opp. 24. In context, it is clear that the court was declining to rule on a broader question not directly relevant here, namely, the "exact scope of the term 'right under' a renewal copyright as used in Section 304(c)." 953 F.2d at 777.

The Ninth Circuit's decision similarly conflicts with the Second Circuit's decision in *Marvel*. Again, the relevant facts are closely analogous to those presented here. In *Marvel*, the parties entered into a 1969 agreement to settle independent litigation, meaning that the 1969 agreement would reorder the parties' affairs prospectively. But there was one aspect of that otherwise legitimate agreement that the Second Circuit rejected: to the extent a right of statutory termination would exist in the absence of that 1969 agreement, that agreement itself could not extinguish the right, for otherwise "the termination provision would be rendered a nullity." 310 F.3d at 290. The logic of *Marvel* applies *a fortiori* here. In this case, the *sole* rationale for rescinding the *Pooh* rights granted in 1930 and then re-granting the identical rights to the identical entities was to avoid the otherwise applicable "right of termination under 17 U.S.C. Secs 203 or 304(c)." Pet. App. 60a.

D. The Record Does Not Support Respondent's Assertions That Petitioner Benefited From The 1983 Agreement

A persistent theme in respondent's brief is that petitioner benefited from the 1983 Agreement to the tune of "hundreds of millions" of dollars, and that the Milne family, as beneficiaries of the Pooh Properties Trust, actually *negotiated* the 1983 Agreement. *See* Opp. 4, 6, 8, 13, 15, 16. These assertions are unsupported by the record, which contains no evidence of the identities of the beneficiaries of the Trust when the 1983 Agreement was executed or thereafter.[7] And there is also no basis for concluding that petitioner

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[7] The record in this case shows only that, as of 1972, the beneficiaries of the Trust were the Westminster School, the Royal Literary Fund, the Garrick Club, and Christopher Milne. C.A. E.R. 90-91. Christopher Milne "conveyed away any such interest by 1979," *id.* at 365, and was not a beneficiary of the Trust in 1983, *id.* at 101. The Ninth Circuit rejected respondent's attempt to supplement the record on appeal to show that petitioner succeeded to half of her father's former one-quarter share. Pet. App 35a-37a. Accordingly, although the Ninth Circuit believed that petitioner received increased royalties as a result of the 1983 Agreement, *see id.* at 7a, 13a, 14a, 17a, the record contains no evidence to that effect. Tellingly,

actually participated in the negotiation of the 1983 Agreement, which she did not sign.

Thus, the oft-repeated statement that Christopher and Clare Milne benefited personally and massively from the 1983 Agreement is respondent's assertion, and does not reflect the record in the case. More importantly, that assertion is irrelevant. Even if petitioner did receive increased royalties as a result of the 1983 Agreement, she manifestly would have obtained an even better deal if she had been allowed to exercise her statutory right to terminate the 1930 Grant. That termination would allow her to conclude a new license agreement with Disney, from which she would receive all the royalties—the very result that respondent here opposes. That opportunity—to recapture the full value of copyrighted works that proved unexpectedly popular—is exactly what Congress intended to confer on authors and their families in Section 304.

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The petition for a writ of certiorari should be granted.

Respectfully submitted.

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respondent's citations for the proposition that petitioner and her father benefited from the 1983 Agreement are to the Ninth Circuit's decision, without further citation to the record. *See* Opp. 4, 6, 8, 18.